IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
CORPUS CHRISTI DIVISION

IN RE:	§	**Case No. 05-21207**
	§	
ASARCO LLC, *et al*.	§	**Chapter 11**
	§	
Debtors.	§	**(Jointly Administered)**
	§	

DISCLOSURE STATEMENT IN SUPPORT OF THE DEBTORS' JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE

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Dated: July 31, 2008

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INTRODUCTION

*Please consult the Uniform Glossary of Defined Terms for Plan Documents attached as **Exhibit A** to this Disclosure Statement for the meaning of defined terms.*

ASARCO LLC ("ASARCO") and its debtor subsidiaries[1] (collectively, the "Debtors" and each, a "Debtor") are soliciting acceptances of their Joint Plan of Reorganization (the "Plan," a copy of which is attached hereto as **Exhibit B**). This solicitation is conducted in order to obtain sufficient acceptances to enable the Plan to be confirmed by the Bankruptcy Court pursuant to the provisions of section 1129 of the Bankruptcy Code.

The purpose of the Disclosure Statement is to set forth (a) the history of the Debtors, their businesses, and their Reorganization Cases; (b) information concerning the Plan and alternatives to the Plan; (c) information for the holders of Claims and Interests regarding their rights under the Plan; (d) information to assist the holders of Claims and Interests in impaired Classes in making an informed judgment regarding whether they should vote to accept or reject the Plan; and (e) information to assist the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy Code and should be confirmed.

By order dated [_____ __, 2008] (the "Disclosure Order"), attached hereto as **Exhibit C**, the Bankruptcy Court (i) approved this Disclosure Statement, in accordance with section 1125 of the Bankruptcy Code, as containing "adequate information" to enable a hypothetical, reasonable investor typical of holders of Claims against and Interests in the Debtors to make an informed judgment as to whether to vote to accept or reject the Plan, and (ii) authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT, HOWEVER, DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes on the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code.

This Disclosure Statement is not intended to replace a careful and detailed review and analysis of the Plan by each holder of a Claim or an Interest, but instead is intended only to aid and supplement that review. Any description of the Plan is a summary only. Holders of Claims and Interests and other parties in interest are cautioned to review the Plan and any related attachments in their entirety for a full understanding of the Plan's provisions. This Disclosure Statement is qualified in its entirety by reference to the full text of the Plan and the exhibits and attachments thereto. If any inconsistency exists between the terms of the Plan and this Disclosure Statement, the terms and provisions of the Plan will control.

Certain of the statements contained in this Disclosure Statement are forward-looking projections and forecasts based upon certain estimates and assumptions. Such statements may prove to be wrong or materially different from actual future results, and there can be no assurance that such statements will be reflective of actual outcomes. The statements contained in this Disclosure Statement, moreover, are made as of the date hereof unless otherwise specified herein, and the delivery of this Disclosure Statement does not imply that there has been no change in the information set forth herein since such date.

Holders of Claims against and Interests in the Debtors are encouraged to read and carefully consider the matters described in this Disclosure Statement, paying careful attention to Sections 3 (Summary of the Proposed Plan) and 8 (Risks of the Plan) of this Disclosure Statement. Prior to voting on the Plan, each holder of a Claim or an Interest should consult such holder's attorney, accountant, tax advisor, and/or financial advisor as to the effect of the Plan on such holder, including, but not limited to, the tax effects of the Plan. In making a voting decision, each holder must rely on the holder's own examination of the Debtors and the terms of the Plan, including the merits and risks involved.

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[1] Lac d'Amiante du Québec Ltée; Lake Asbestos of Quebec, Ltd.; LAQ Canada, Ltd.; CAPCO Pipe Company, Inc.; Cement Asbestos Products Company; Encycle, Inc.; ASARCO Consulting, Inc.; ASARCO Master, Inc.; ASARCO Oil and Gas Company, Inc.; Bridgeview Management Company, Inc.; ALC, Inc.; American Smelting and Refining Company; AR Mexican Explorations, Inc.; Government Gulch Mining Company, Limited; Covington Land Company; Southern Peru Holdings, LLC; AR Sacaton, LLC; ASARCO Exploration Company, Inc.; Green Hill Cleveland Mining Company; Alta Mining and Development Company; Blackhawk Mining and Development Company, Limited; Peru Mining Exploration and Development Company; Tulipan Company, Inc.; and Wyoming Mining and Milling Company.

This Disclosure Statement may not be relied upon for any purpose other than to determine whether to vote in favor of or against the Plan, and nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving the Debtors or any other party, or be deemed evidence of the tax or other legal consequences or effects of the reorganization of the Debtors.

The statements and information about the Debtors, including financial information, financial projections, and information regarding Claims or Interests contained in this Disclosure Statement, have been prepared from information provided by the Debtors and their advisors. No statement or information concerning the Debtors (particularly as to future business, results of operations or financial condition, or with respect to distributions to be made under the Plan) or their assets, properties, or businesses that is given for the purpose of soliciting acceptances of the Plan is authorized, other than as set forth in this Disclosure Statement.

SUMMARY OF VOTING PROCEDURES

The Debtors have sent Ballots with voting instructions and copies of this Disclosure Statement to all known holders of Claims and Interests in impaired Classes that are entitled to vote on the Plan. All holders of impaired Claims and Interests should read the Ballot carefully and follow the voting instructions accurately. Holders of Claims and Interests should use only an official Ballot.

A. WHO CAN VOTE?

Pursuant to the provisions of the Bankruptcy Code, only Classes of Claims and Interests which are (1) "impaired" by the Plan, and (2) entitled to receive a distribution under the Plan are entitled to vote on the Plan. Under the Plan, Claims and Interests in Classes 2 through 12 are impaired (unless any Class 2 Secured Claims and Class 4 Bondholders' Claims are Reinstated, in which case the Claims that are Reinstated shall be unimpaired), and, accordingly, the holders of Claims and Interests in those Classes are the only holders of Claims entitled to vote to accept or reject the Plan. Claims in Class 1 (and, as previously noted, any Class 2 Secured Claims and Class 4 Bondholders' Claims that are Reinstated) are unimpaired by the Plan, and the holders of Claims in such Classes are conclusively presumed by operation of the Bankruptcy Code to have accepted the Plan. Interests in Classes 13 and 14 will not receive or retain any property on account of their Interests, and the holders of Interests in such Classes are conclusively presumed by operation of the Bankruptcy Code to have voted to reject the Plan.

The Bankruptcy Court has established _____ __, 2008 as the Voting Record Date for purposes of determining which holders of Claims and Interests are entitled to vote to accept or reject the Plan.

B. WHAT IS THE DEADLINE FOR VOTING?

In order for your vote to be counted for voting purposes, Ballots accepting or rejecting the Plan, including Master Ballots submitted by attorneys for the Unsecured Asbestos Personal Injury Claimants, must be *physically* received by the Balloting Agent no later than 4:00 p.m., prevailing Central Time, on _____, __, 2008. Please allow adequate time for delivery.

To ensure the integrity of the voting process, all Ballots must be submitted as originals and bear an original signature in order to be counted. Please plan on voting so that the Ballots can be received in time to be counted.

C. WHERE AND HOW DO I RETURN MY BALLOT?

Ballots should be returned to the Debtors' Balloting Agent at:

AlixPartners, LLP
2100 McKinney Avenue, Suite 800
Dallas, TX 75201

You must sign and return the Ballot accompanying this Disclosure Statement to the Balloting Agent in order to have your vote count. You may return your Ballot by mail, hand delivery, or overnight courier. However, the Balloting Agent is not able to accept Ballots by email or facsimile. A self-addressed, postage-prepaid envelope is included for your convenience.

D. CAN MY ATTORNEY VOTE FOR ME?

Yes, under certain circumstances. If you (1) have authorized your attorney to vote for you and (2) have not changed those arrangements, your attorney may vote as your agent. If your attorney votes for you, you do not need to complete a Ballot. If you have not authorized your attorney to vote for you, only you may vote on the Plan.

E. I AM AN ATTORNEY VOTING ON BEHALF OF MY CLIENT—WHAT DO I NEED TO DO?

In the case of Unsecured Asbestos Personal Injury Claims, attorneys voting on behalf of clients must use and complete the Master Ballots for Class 5. Each Master Ballot must be signed by an attorney under penalty of perjury on behalf of his or her firm. In other instances, attorneys voting on behalf of clients must use and complete the Ballot sent to the client. Attorneys may vote only for those clients from whom the attorney has obtained authorization to do so.

Ballots cast by attorneys on behalf of their clients must be received by the Debtors' Balloting Agent at the address listed on the Ballot by _____ __, 2008 at 4:00 p.m., Prevailing Central Time. Ballots may be returned by mail, hand delivery, or overnight courier. However, the Balloting Agent is unable to accept Ballots by email or facsimile. Please allow enough time for delivery.

F. WHAT DO I DO IF I RECEIVED MORE THAN ONE BALLOT?

If you received more than one Ballot, you may hold Claims and/or Interests in different Classes and may be entitled to vote in more than one Class. Please review the Ballots carefully and consult with your legal and financial advisors for further advice if necessary.

G. WHAT DO I DO IF I DID NOT RECEIVE A BALLOT WITH MY SOLICITATION PACKAGE OR NEED A REPLACEMENT BALLOT?

If you are a holder of a Claim and/or Interest entitled to vote on the Plan and (1) did not receive a Ballot, (2) received a damaged Ballot, or (3) lost your Ballot (and you are not voting through your attorney), you should contact the Balloting Agent, at:

- Toll-Free Telephone Inquiry Line (within United States only) ___-___-____
- Telephone Inquiry Line (for calls from outside the United States) +1-___-___-____
- Facsimile ___-___-____
- Email _____

Extra copies may also be downloaded at no charge to you from the Debtors' restructuring website: *www.asarcoreorg.com*.

If you have any questions about the procedures for voting on the Plan, you should contact your attorney or the Balloting Agent.

For detailed voting instructions, see the instructions accompanying your Ballot. Please read and follow the instructions closely to ensure that your vote is counted.

OVERVIEW OF THE PROPOSED PLAN

The following is a brief summary of certain material provisions of the Plan. By necessity, this summary is incomplete and is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Disclosure Statement, the attached exhibits, the Plan and the exhibits thereto, as amended from time to time. Please read the

entire Disclosure Statement carefully before deciding how to vote because your rights may be affected by implementation of the Plan.

If approved, the Plan will implement a reorganization that will address the Debtors' liabilities, including the environmental and asbestos-related liabilities, in a comprehensive and complete manner.

The Debtors have sought to formulate a plan of reorganization that is fair and equitable to all parties in interest, while allowing the Debtors to restructure and channel all unsecured asbestos-related Claims and Demands against the Debtors to a trust. The Debtors believe that these objectives have been met, and that the Plan provides for the maximum recoveries to, and expeditious and equitable treatment of, all holders of Claims and Interests.

The Plan provides for ASARCO to sell substantially all of its tangible and intangible assets (the "Sold Assets") to Sterlite (USA), Inc. ("Sterlite" or the "Plan Sponsor").[2] The majority of the proceeds from such sale, together with Distributable Cash and Subsequent Distributions (the "Available Plan Funds"), shall be paid to holders of Allowed Claims in accordance with the priorities established by the Bankruptcy Code, as follows:

- Administrative Priority Claims, Priority Tax Claims and Priority Claims will be paid in full
- Secured Claims, at the applicable Debtor's option, will be either paid in full or reinstated
- The Bondholders' Claims, at ASARCO's option, will be either reinstated or receive the same treatment as Claims in Classes 3, 6, 7 and 8

All remaining Available Plan Funds shall be paid in accordance with the following priorities:

- First, the Allowed Amount of all other timely-filed, non-priority unsecured claims (except for Unsecured Asbestos Personal Injury Claims and certain environmental claims of the federal government and the State of Washington which are classified under the Plan as Class 9 Residual Environmental Claims) will be paid in full
- Second, Unsecured Asbestos Personal Injury Claims and Residual Environmental Claims will be paid $750 million each
- Third, all other timely-filed, non-priority unsecured claims (except for Unsecured Asbestos Personal Injury Claims and Residual Environmental Claims) will receive post-petition interest at the federal judgment rate
- Fourth, Unsecured Asbestos Personal Injury Claims and the Residual Environmental Claims will receive a supplemental distribution of $102 million each
- Fifth, the principal amount of any Late-Filed Claims that are allowed by Final Order of the Bankruptcy Court will be paid, with post-petition interest at the federal judgment rate
- Sixth, the principal amount of subordinated claims, if any, will be paid, with post-petition interest at the federal judgment rate
- Finally, any remaining funds will be paid to the Parent.

An Asbestos Trust shall be established for the benefit of Unsecured Asbestos Personal Injury Claims and Demands. The ASARCO Protected Parties shall be protected from all direct and indirect Asbestos Personal Injury Claims and Demands by a channeling injunction pursuant to section 524(g) of the Bankruptcy Code, which shall channel these Claims and Demands to the Asbestos Trust.

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[2] Background information regarding Sterlite (and provided by Sterlite) is attached hereto as **Exhibit S**.

The Asbestos Trust (on behalf of the Unsecured Asbestos Personal Injury Claims) and the Residual Environmental Claims will each receive 50% of the interests in a Litigation Trust. The holders of Unsecured Asbestos Personal Injury Claims and Residual Environmental Claims have agreed that litigation proceeds attributable to their litigation trust interests may first be paid to the holders of timely-filed, non-priority unsecured claims until such claims are paid in full (from a combination of Available Plan Funds and litigation proceeds). The next $100 million of the litigation proceeds shall be paid to the Asbestos Trust. Then the Asbestos Trust and the holders of Residual Environmental Claims shall share distributions of the remaining litigation proceeds 50/50.

Certain owned and non-operating properties shall be transferred to Environmental Custodial Trusts for remediation and restoration and the Estates shall receive covenants not to sue.

Reorganized ASARCO and the Plan Administrator shall make distributions pursuant to the Plan, prosecute objections to Claims, and supervise the liquidation of the Remaining Assets. One of ASARCO's subsidiary debtors, Covington Land Company, shall reorganize and own certain income-producing property. The Asbestos Trust shall own 100% of the interests in Reorganized Covington.

The Plan Administrator shall hold all of the interests in Reorganized ASARCO, and shall manage the business operations of Reorganized ASARCO and Reorganized Covington.

Summary Description of Classes and Distributions to Holders of Claims and Interests

The classification of Claims and Interests, the estimated aggregate amount of Claims in each Class and the amount and nature of distributions to holders of Claims or Interests in each Class are summarized in the table below. **Please read Section 3 of this Disclosure Statement and Article III of the Plan for more detailed and complete information.** The Debtors' estimate of the amount of Claims in a Class assumes either consensual agreements with the holders of Disputed Claims or favorable determinations as to Disputed Claims.

Unclassified Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. For a discussion of certain additional matters related to Administrative Claims and Priority Tax Claims, see Section 3.3(a) and (b) hereof. Future Asbestos Demands are not classified, as they are not Claims for purposes of the Bankruptcy Code. The aggregate consideration payable to Class 5 (Unsecured Asbestos Personal Injury Claims), however, will be shared in the Asbestos Trust among Demands pursuant to the terms of the Asbestos TDP.

Description and Estimate of Claims	Description of Distributions or Treatment Under the Plan	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery
Administrative Claims	Allowed Administrative Claims of Professional Persons employed pursuant to the Bankruptcy Code will be paid upon, and pursuant to, order of the Bankruptcy Court; Allowed Administrative Claims resulting from (a) postpetition liabilities incurred in the ordinary course of business by a Debtor or (b) postpetition contractual liabilities arising as a result of loans and advances (whether or not incurred in the ordinary course) will be paid in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreements relating thereto; Assumed Liabilities shall be paid by the Plan Sponsor; Chase shall receive the Allowed Amount of any Administrative Claim under the Credit Facility in Cash, on the Effective Date;		100%

Description and Estimate of Claims	Description of Distributions or Treatment Under the Plan	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery
	Any Administrative Claims of the United States or the States under civil Environmental Laws relating to the Designated Properties shall be addressed through the Environmental Custodial Trust Settlement Agreements, the Environmental Custodial Funding and the Environmental Custodial Administration Funding to be paid by ASARCO to the Environmental Custodial Trusts pursuant to the Plan; and All other Allowed Administrative Claims shall be paid in Cash on the Effective Date, unless the holder agrees to other, lesser treatment for such Claim.		
Priority Tax Claims	Allowed Priority Tax Claims shall be Paid in Full on the Effective Date, unless the holder agrees to other, lesser treatment for such Claim.		100%
Future Asbestos Demands	Future Asbestos Demands shall be determined, processed, and liquidated pursuant to the Asbestos TDP, and paid by the Asbestos Trust pursuant to the Asbestos TDP.		__% to 100%

Classified Claims and Interests

Description and Estimate of Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery
Class 1 – Priority Claims	Allowed Priority Claims shall be paid on the Effective Date or, if later, the date or dates on which a Priority Claim becomes due in the ordinary course. On such date, each holder of an Allowed Class 1 Priority Claim (except any holder that agrees to other, lesser treatment) shall be Paid in Full.	**Unimpaired** Deemed to Accept the Plan Not Entitled to Vote		100%
Class 2 – Secured Claims	Each holder of an Allowed Class 2 Secured Claim shall, at the election of the Debtors either (1) be Paid in Full, on the later of the Effective Date or the date or dates such Secured Claim becomes due in the ordinary course or (2) be Reinstated.	**Unimpaired if Reinstated** **Impaired if Paid in Full**		100%
Class 3 – Trade and General Unsecured Claims	Each holder of an Allowed Class 3 General Unsecured Claim (except any holder that agrees to other, lesser treatment) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal	**Impaired** Entitled to vote		__% to 100%

Description and Estimate of Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery
	Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid.			
Class 4 – Bondholders' Claims	Each holder of an Allowed Class 4 Bondholders' Claim shall, at the option of the Debtors (1) shall be Reinstated or (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid.	**Unimpaired if Reinstated** **Impaired if Paid in Full**		100%
Class 5 – Unsecured Asbestos Personal Injury Claim	On the Effective Date, liability of all of the Debtors for all Unsecured Asbestos Personal Injury Claims shall be assumed by, and channeled to, the Asbestos Trust without further act or deed. All Unsecured Asbestos Personal Injury Claims shall be processed, liquidated and paid pursuant to the terms and provisions of the Asbestos TDP and the Asbestos Trust Agreement. The Asbestos Trust shall create an Asbestos Premises Liability Claims Fund for payment of all Asbestos Premises Liability Claims, and an Asbestos Personal Injury Claims Fund for payment of all Unsecured Asbestos Personal Injury Claims other than Asbestos Premises Liability Claims.	**Impaired** Entitled to vote		__% to 100%
Class 6 – Toxic Tort Claims	Each holder of an Allowed Class 6 Toxic Tort Claim (except any holder who agrees to other, lesser treatment) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid.	**Impaired** Entitled to vote		__% to 100%

Description and Estimate of Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery
Class 7 – Previously Settled Environmental Claims	Each holder of an Allowed Class 7 Previously Settled Environmental Claim (except any holder that agrees to other, lesser treatment) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid.	**Impaired** Entitled to vote		__% to 100%
Class 8 – Miscellaneous Federal and State Environmental Claims	Each holder of an Allowed Class 8 Miscellaneous Federal and State Environmental Claim (except any holder that agrees to other, lesser treatment) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid.	**Impaired** Entitled to vote		__% to 100%
Class 9 – Residual Environmental Claims	Each holder of an Allowed Residual Environmental Claim shall receive (a) such holder's share of the Class 5 and Class 9 Principal Payment; (b) such holder's share of the Class 5 and Class 9 Supplemental Distribution (if any); and (c) such holder's share of the Litigation Trust Interests (provided that the Litigation Proceeds shall first be paid to satisfy the Class 3, 4, 6, 7 and 8 Litigation Proceeds and the Asbestos Trust's Priority Litigation Proceeds).	**Impaired** Entitled to vote		__% to 100%
Class 10 – Late-Filed Claims	Each holder of an Allowed Late-Filed Claim (except any holder that agrees to other, lesser treatment), to the extent of any Available Plan Funds remaining after the Class 5 and Class 9 Supplemental Distribution has been paid in its entirety, shall be Paid in Full or receive a pro rata distribution of any such Available Plan Funds. If the remaining Available Plan Funds are not sufficient to permit all such Claims to be Paid in Full, each such holder shall receive a pro rata	**Impaired** Entitled to vote		0% to 100%

Description and Estimate of Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery
	distribution on the amount of such holder's Claim as provided in a settlement agreement establishing the amount of the Allowed Late-Filed Claim or a Final Order adjudicating the amount of the Allowed Late-Filed Claim. If Available Plan Funds remain after such payment, each holder shall receive a pro rata distribution of Post-Petition Interest. Such distributions shall be made within __ days after the Plan Administrator determines that funds are available to make a distribution.			
Class 11 – Subordinated Claims	To the extent of any Available Plan Funds remaining after Class 10 Late-Filed Claims are Paid in Full, each holder of an Allowed Subordinated Claim (except any holder that agrees to other, lesser treatment) shall be Paid in Full or receive a pro rata distribution of any such Available Plan Funds, in full satisfaction, settlement, release, extinguishment and discharge of such Claim. If the remaining Available Plan Funds are not sufficient to permit all such Claims to be Paid in Full, each such holder shall receive a pro rata distribution on the Allowed Amount of such holder's Claim. If Available Plan Funds remain after such payment, each holder shall receive a pro rata distribution of Post-Petition Interest. Such distribution shall be made within __ days after the Plan Administrator determines that funds are available to make a distribution.	**Impaired** Entitled to vote		0% to 100%
Class 12 – Interests in ASARCO	Cancelled. Holders of Class 12 Interests shall receive any Available Plan Funds after the Class 11 Subordinated Claims have been Paid in Full.	**Impaired** Entitled to Vote		0% to 100%
Class 13 – Interests in Asbestos Subsidiary Debtors	Cancelled. Holders of Class 13 Interests will not receive or retain any property under the Plan on account of such Interests.	**Impaired** Deemed to reject the Plan Not Entitled to Vote		

Description and Estimate of Claims	Description of Distributions or Treatment Under the Plan	Status/ Entitled to Vote	Estimated Aggregate Amount of Claims	Estimated Percentage Recovery
Class 14 – Interests in Other Subsidiary Debtors	Cancelled. Holders of Class 14 Interests will not receive or retain any property under the Plan on account of such Interests.	**Impaired** Deemed to reject the Plan Not Entitled to Vote		0%

SECTION 1
GENERAL INFORMATION AND HISTORICAL BACKGROUND

1.1 History and Business Activities of the Debtors.

A brief description of the history and business of the Debtors is set forth below, and a list of some of the prior names used by the Debtors and entities merged into the Debtors throughout their corporate existence, as well as some of their predecessors' names, is set forth in **Exhibit G** hereto. The organizational structure of the Debtors and certain related entities, as it currently exists, is set forth in **Exhibit H** hereto.

(a) Business Overview.

ASARCO is the third largest producer of copper in the United States, based on 2006 production. ASARCO's main business is the mining and processing of copper ore into copper cathode, rod and cake, and the refining and sale of precious metals (silver and gold) and other by-products (molybdenum, selenium, tellurium and nickel). ASARCO owns and operates three open-pit copper mines in Arizona (the Mission mine, the Ray mine and the 75% owned Silver Bell mine), a copper smelter in Hayden, Arizona, and a copper refinery, rod and cake plants and precious metals plant in Amarillo, Texas.

ASARCO, originally organized in 1899 as American Smelting and Refining Company, has operated for over 108 years. Initially, it was a holding company for diverse smelting, refining, and mining operations throughout the United States and now operates as a Tucson-based fully integrated copper mining, smelting, and refining company.

(b) ASARCO's Current Operating Sites and Facilities.

(1) Mission Complex.

The Mission Complex consists of an open-pit mine, two concentrators, a molybdenum line, a warehouse and maintenance and administration facilities. It is located in Sahuarita, Arizona, 18 miles south of Tucson, Arizona, in Pima County. The principal products produced at the Mission Complex are a concentrate containing copper and silver and a molybdenum concentrate. Copper concentrates produced at the Mission concentrators are shipped to the ASARCO Hayden smelter for conversion into copper anodes. Molybdenum concentrates are sold to an unaffiliated company to be refined into a final molybdenum product.

The Mission open pit and mill began producing in 1961. ASARCO expanded the Mission operation into what is today known as the Mission Complex through discovery of new ore zones, acquisitions of additional properties and mill expansions. ASARCO discovered the San Xavier South and San Xavier North ore bodies, both of which lie in part in the San Xavier District portion of the Tohono O'odham Indian Reservation, subsequent to startup of the original Mission concentrator. ASARCO acquired the Pima open pit mine and mill from Cyprus Minerals in 1985, and the Eisenhower Property from Anamax Mining Company in 1987. The original Mission pit, the Pima pit, the Eisenhower property, and the

San Xavier South pit all form one large pit today. Mining ended at the San Xavier North pit in 2001, with the exhaustion of the known economic ore.

ASARCO operates two mill plants at the Mission Complex, the North mill and the South mill. The North mill began operation in 1961 and was expanded and modernized in 1967, 1987, 1993, 1995 and 1999. The South mill was originally the Pima mine concentrator, which ASARCO converted into a stand-alone mill. The refurbishment and new construction of the South mill took place in 1991. After being placed on care and maintenance status in 2001, ASARCO recommenced operations in September 2007.

During 2006, ASARCO spent $750,000 for refurbishment and start up of the molybdenum plant to process and produce molybdenum when it is encountered in the mine. The molybdenum line started operations in January 2007.

(2) Ray Complex.

The Ray Complex is located in eastern Pinal County and western Gila County, Arizona, southeast of Phoenix. ASARCO and its predecessor companies have been mining and smelting at the Ray Complex for almost 100 years. The transition from underground to open pit mining was completed in the 1950's. The Ray Complex produces copper cathode and copper concentrate.

The present ASARCO smelter began operation in 1983. In November 1986, ASARCO acquired the Ray mines division of Kennecott Copper Corporation. In 1992, the new Ray concentrator began operations.

Property at the Ray Complex is situated in two principal locations. The Ray operations include the mine, the Ray concentrator, and the solvent extraction-electrowinning ("SX-EW") plant, which are located about 82 miles southeast of Phoenix, near Kearney, Arizona. The Hayden operations include the Hayden concentrator, the copper smelter and the administration building. The Hayden operations are about 100 miles southeast of Phoenix at Hayden, Arizona.

There is a rail link between the Ray and Hayden operations, owned and operated by ASARCO's wholly-owned subsidiary Copper Basin Railway.

(3) Hayden Smelter.

The Hayden smelter is located in Hayden, Arizona, approximately 18 miles east of the Ray operations and 70 miles northeast of Tucson, Arizona. The smelter consists of an oxygen flash furnace, converters, anode casting, an oxygen plant, an acid plant and associated maintenance, warehouse and administrative facilities.

The Hayden smelter is situated on a 200-acre site in Gila County, Arizona. Construction of the original Hayden smelter began in 1911, and was completed in 1912. It was built to smelt the copper ores of what was then Kennecott Copper Corporation's Ray mine.

Operations at the smelter began in 1912. In 1980, in order to satisfy emission limits for smelters negotiated with the EPA, improve air quality in the area, and maximize copper production at reasonable costs, ASARCO implemented a $133 million project for the smelter. The project included the installation of an INCO flash furnace, an oxygen plant, a water treatment plant, a double-contact acid plant, and modifications to various existing facilities.

The Hayden smelter has always been a custom smelter, processing concentrates and precipitates produced by mines other than Ray and Mission as well as concentrates produced from Ray and Mission ores.

ASARCO learned in late July 2007 that the EPA was considering placing the Hayden plant site and surrounding residential areas (the "Hayden Site") on the Superfund National Priorities List (the "NPL"). The EPA requested the State of Arizona's views regarding this proposal. The Governor of Arizona indicated that she felt it premature to list the site on the NPL at that point and asked that the EPA, the State of Arizona and ASARCO enter into negotiations to address environmental conditions at the Hayden Site without resorting to an NPL listing. The parties participated in extensive negotiations regarding the scope of actions to be taken at the Hayden Site, which resulted in an agreement regarding cleanup of the site. Pursuant thereto, ASARCO has begun work on certain residential yards that the EPA deems to be a high priority, using funds from the Prepetition ASARCO Environmental Trust. A motion seeking approval of the agreement was filed on May 1, 2008, and was approved by the Bankruptcy Court by order entered on May 27, 2008.

As required to secure its obligations under the approved settlement agreement, ASARCO established and funded a $15 million trust (the "Hayden Site Trust") on July 3, 2008. The funds in the Hayden Site Trust are to be used to pay for required cleanup of the residential areas surrounding the smelter, to pay for additional investigative work of the Hayden Site to identify releases of hazardous substances and, if releases requiring remediation are found at the Hayden smelter site and are not otherwise being addressed under any other regulatory program, to pay for such cleanup. Under the settlement agreement, ASARCO's liability for cleanup of the residential areas is limited to $13.5 million (with no credit for prior expenditures funded by the Prepetition ASARCO Environmental Trust). While there is no cap on ASARCO's liability for the cost of the required investigation activities or any on-site remediation that may result from the investigation, the funds in the Hayden Site Trust are believed to be adequate to cover such costs.

(4) Silver Bell Mine.

Silver Bell mine is one of the oldest ASARCO properties in Arizona, and produces copper cathode. Silver Bell also operates a solvent extraction plant, tank house, warehouse and administrative and maintenance areas. In 1996, ASARCO formed Silver Bell Mining, LLC, a limited liability company owned 75% by ASARCO's wholly-owned subsidiary AR Silver Bell, Inc. and 25% by wholly-owned subsidiaries of Mitsui & Co. (USA), Inc. and Mitsui & Co., Ltd.

The Silver Bell mine is located approximately 45 miles northwest of Tucson in Pima County, Arizona. Although ASARCO had completed the purchase of most consolidated mining companies in the area by 1915, geologists did not begin to reevaluate the mineral properties in the area until 1946. Stripping for the open pit mine began in 1951 but mine and mill operations were suspended in 1984 due to low copper prices.

Leach operations continued, however, and in 1978 a feasibility study was undertaken to build a cathode SX-EW plant that would replace the copper precipitation plant. In 1990, a rubble leaching evaluation was completed. Construction of the SX-EW plant began in May 1996. The plant started production in July 1997.

Silver Bell operates four open pit mines: North Silver Bell, El Tiro, West Oxide and Oxide. El Tiro and Oxide were sources of sulfide ore for the former milling operation. The North Silver Bell pit was developed specifically for the Silver Bell SX-EW operation. Silver Bell currently operates a solvent extraction plant, tank house, warehouse and administrative and maintenance areas in addition to the four open pits.

Milling of sulfide ores from the Oxide and El Tiro open pit mines ended in 1984. Concurrent with milling operations, copper was recovered by dump leaching of run-of-mine waste and precipitating copper cement into launders. The cement copper was then shipped to ASARCO smelters.

Production of copper precipitates by leaching of the existing dumps continued until 1997, when Silver Bell commenced production of electrowon copper cathodes in a new SX-EW plant.

(5) Amarillo Copper Refinery.

The Amarillo, Texas copper refinery is one of the largest and most efficient copper refineries in the world. The copper refinery was constructed in 1974 and began operations the following year. An electrolyte purification facility was installed in 1993, improving the quality of refined production. Primarily, the Amarillo refinery produces copper cathode, rod, cake, silver bars, gold bars, crude nickel sulfate, selenium, tellurium, platinum-sponge and Enviroalloy™.

The refinery is located 9 miles northeast of Amarillo. The plant consists of an anode department, a tank house, refined casting departments, precious metals refinery, a copper scrap facility, a precious metals scrap handling facility, a nickel plant, a selenium/tellurium plant and support facilities. The facility sits on 250 acres and the tank house itself is one-half mile in length.

The copper refinery was constructed in 1973-1974, and was commissioned at the end of 1975. In 1979, the patented Reatrol process (Reagent Control) increased production efficiency, enabling the plant to exceed design capacity. An electrolyte purification facility was installed in 1993, improving the quality of refined production.

The Amarillo operation produces refined copper cathode, rod, cake, silver bars, gold bars, crude nickel sulfate, selenium, tellurium, platinum-sponge, palladium-sponge and Enviroalloy™.

The plant site is surrounded by 3,000 acres of ASARCO-owned land that is leased to third parties for farming and grazing.

(6) Corporate Offices.

Prior to 2008, ASARCO's corporate employees were spread out across three sites in Tucson, Arizona and one in Phoenix, Arizona. To increase the Debtor's efficiency, provide for more effective management and reduce costs, ASARCO sought authority to consolidate its Phoenix corporate office with its Tucson corporate headquarters. ASARCO also sought permission to enter into a new lease of nonresidential real property in Tucson, with premises large enough to accommodate the relocating Phoenix employees and all Tucson employees in one location. The request was approved by order entered on February 7, 2008. ASARCO entered into an office lease with WC Partners effective February 1, 2008, for the location of the Tucson corporate headquarters. ASARCO took possession of the leased premises in April 2008.

On April 16, 2008, ASARCO filed a motion for authority to reject the lease of its Phoenix corporate office. Rejection of the lease and relocation of its employees who were working out of the Phoenix office to the Tucson corporate headquarters was a substantial and necessary step towards the much-needed consolidation process. By order entered on May 7, 2008, the Bankruptcy Court approved the rejection of the lease effective as of April 30, 2008, and set June 30, 2008 as the deadline for the landlord under the lease, and June 6, 2008 as the deadline for any other Person, to file a Claim, if any, arising from the relief requested in the rejection motion.

(c) Copper Basin Railway.

In September 2006, ASARCO bought out Rail Partners Limited Partnership, its 55% majority partner in Copper Basin Railway, Inc., for $11.5 million. *See* Section 2.10(c) below for further discussion of this purchase. ASARCO now owns 100% of the Copper Basin Railway, Inc. shares.

Copper Basin Railway, Inc. was formed in 1986 when Rail Management Company purchased Southern Pacific Railroad's Hayden Branch extending from Magma to Hayden, Arizona. Soon afterward, Rail Management also acquired Kennecott Copper Corporation's private railways at Ray (adjacent to the Ray mine) and Hayden. Today, the railway comprises approximately 75 miles of track joined from what was once three separate operations. Along the track are 3 tunnels and several steel bridges. The railway has a total of 16 locomotives.

Located in the southern Arizona desert, the railway is a Class III short line freight railroad that primarily serves ASARCO's copper mining operations at the Ray mine. The railroad is used to haul ore from the Ray mine to the Hayden mill, to haul concentrate from the Ray mill to the Hayden smelter and to haul acid from the Hayden smelter to the Ray mine for heap and dump leaching, and for other purposes. It ties into the Southern Pacific Railroad at Magma Junction near Florence, Arizona. Supplies are received by rail, as are concentrates from other mines that are shipped to the Hayden smelter for custom smelting. Copper anodes produced at the Hayden smelter are shipped by rail and truck to ASARCO's Amarillo copper refinery. Throughout its history, the railway has hauled a variety of goods, and while the majority of its cargo is mining-related, it still occasionally carries vehicles for use in military exercises near the town of Florence, Arizona.

(d) Other Assets.

(1) El Paso Smelter.

ASARCO's El Paso, Texas smelter began operation as a lead smelter in 1887. The smelter operated continuously until 1999, and saw numerous expansions during its history to allow for the production of zinc, antimony, arsenic, sulfuric acid and copper. The facility has been dedicated to copper smelting and sulfuric acid production since 1985.

ASARCO suspended the El Paso operations in 1999 and the plant was placed on standby status. The smelter is the only idle, but operational copper smelter in the United States. During cessation of operations, ASARCO's on-site staff continues to perform routine maintenance duties to maintain plant readiness. In anticipation of resuming operations, the El Paso facility applied for the renewal of the smelter's air quality permit in 2002. The Texas Commission on Environmental Quality ("TCEQ") renewed the permit in February 2008. The permit renewal is subject to ASARCO's completion of certain maintenance and refurbishment to the smelter's air pollution control equipment as recommended by the Executive Director of the TCEQ. ASARCO has begun the required maintenance and repair work.

The State of Texas issued an Agreed Order in 1996 requiring ASARCO to implement corrective actions for the environmental impacts resulting from handling and disposal of solid waste. Also, an EPA RCRA Consent Decree issued in 1999 required an additional supplemental environmental project to further protect human health and environment.

Beginning in 1996 and throughout the cessation and permit renewal period, ASARCO has continued to actively comply with the requirements of the Agreed Order by implementing corrective measures to protect groundwater. To date, ASARCO has constructed a site-wide stormwater collection and reclaim system; constructed on-site landfill cells and encapsulated over 75% of impacted surficial soils; and constructed 60% of the low-permeable asphalt cap on unpaved on-plant areas.

In addition, the investigation and characterization of the groundwater impacts has been completed and final design and construction for a pump and treat network in conjunction with a slurry wall containment system is scheduled for 2008. The remaining 25% of the surface soil encapsulation is also scheduled for completion in 2008.

(2) Globe.

The Globe, Colorado facility was acquired by ASARCO's predecessor in 1899, and operated as a specialty metals producing facility until 2006. The plant initially produced lead but in response to market demands, changed to the production of arsenic trioxide and cadmium. In the 1990's the facility converted operations to a high-purity metals plant refining and processing bismuth, litharge, antimony, high-purity copper and other specialty products.

The Globe smelter ceased operations in 2006 as part of the business plan to sell the property and transfer the specialty metals operation to the Amarillo refinery. During cessation of operations, ASARCO's on-site staff continues to perform routine maintenance duties and operates the on-plant water treatment system.

In accordance with a Colorado Department of Health Compliance Order on Consent and a State of Colorado Consent Decree, ASARCO implemented an active groundwater recovery and treatment system, utilizing an on-plant water treatment facility.

The property is currently the subject of a proposed sale under section 363(f) of the Bankruptcy Code. A "stalking horse" buyer has been identified, and the sale of the property could occur in 2008. If this sale occurs, all environmental liabilities will be transferred to the new owner, secured with insurance policies included as part of the sales agreement. A "Covenant Not To Sue" will also be granted by the State of Colorado. *See* Section 2.11(b) below for additional information regarding the proposed sale of the Globe facility. The sale is conditioned upon the completion of a new consent decree or other enforceable agreement between the buyer and the State of Colorado, under which the buyer would assume responsibility for contamination/remediation only at the site and would provide financial assurance as required by the State.

(3) East Helena.

The lead smelter plant in East Helena, Montana was constructed in 1888, and was acquired by ASARCO's predecessor in 1899. The smelter accepted ores from the local area and then transitioned into a custom smelter, processing ores from a regional client base.

The smelter operated continuously from 1888 through 2000 with numerous improvements and technology up-grades: in 1927 a zinc plant was built, which operated until 1982; in 1966 an updraft sinter machine was constructed; in 1977 the Clean Air Act led to the construction of an acid plant; in 1990 the Ore Storage and Concentrate Handling Building was constructed; in 1992 and 1994 two water treatment facilities were built; in 1996 a new dross reverb furnace was built; and finally, pursuant to an agreement with ASARCO and the State of Montana, the construction of four supplemental environmental projects for ventilation and dust handling was completed by 1999.

The East Helena smelter suspended operations in 2001 and was placed on standby status. On-site personnel have continued to provide facility maintenance functions throughout the suspension period. Prior to its bankruptcy filing, ASARCO entered into Consent Decrees with the Montana Department of Environmental Quality ("MDEQ") and the EPA. The MDEQ Consent Decree expired on December 31, 2006. A new MDEQ Consent Decree was subsequently entered into in 2007.

ASARCO has been implementing RCRA and CERCLA remedial actions since the late 1980's. The 1998 EPA Consent Decree required an evaluation of historic releases and environmental impacts. The first phase of the investigation resulted in corrective action mandates for disposal of demolition debris and the resulting exposed soils. ASARCO is investigating releases to soils, surface water and groundwater, and evaluating and installing source control measures to address these impacted areas and mitigate the further migration of released contamination. Soil remedial actions will be implemented as the demolition (which is substantially completed) proceeds in compliance with the EPA Consent Decree.

On October 2, 2007 ASARCO and the MDEQ entered into an Administrative Order on Consent, Docket No. HW-07-01, to continue ASARCO's cleaning and demolition program established under the 2005 Consent Decree. The Administrative Order on Consent requires ASARCO to develop and implement yearly work plans for the removal, storage, and proper disposal or recycling of all remaining hazardous waste and/or secondary material located in process units, pollution control devices, and storage units and other identified areas of the East Helena plant.

Ongoing monitoring and investigations confirm the existence of an impacted groundwater plume extending off-property into residential neighborhoods. The extent of the corrective action required for the groundwater has not been completely identified or planned with the regulatory agencies.

ASARCO is subject to a criminal investigation relating to prepetition conduct at the East Helena plant. Two grand jury subpoenas have been issued, and ASARCO is in the process of responding to them.

(4) AR Sacaton Site.

This site, located in Pinal County, Arizona, is owned by AR Sacaton, a wholly-owned subsidiary of ASARCO, and is currently utilized as a record storage facility for ASARCO's historical records.

ASARCO discovered a moderate-sized copper deposit in the early 1960's northwest of Casa Grande, Arizona. The construction of the copper concentrator was completed and milling commenced in 1974 and continued until 1984 when economic open pit mine reserves were exhausted.

A smaller underground copper reserve was targeted adjacent to and northwest of the open pit mine. A development shaft was sunk to the 1,300-foot level in the early 1980's. The plan at that time was to replace the ore feed from the soon-to-be exhausted open pit with ore from underground. Numerous difficulties were encountered with the underground project and it was determined to be uneconomical at the 1984 copper price of $0.62 per pound. Another site, called Park/Salyer, has very good potential but needs additional exploration to prove any economic reserves. The entire mine site and the underground project were closed in 1984. During the years that followed, all mining equipment, crushing and milling equipment were removed from Sacaton and reutilized at other mining operations.

The site consists of nearly 2,020 acres, including a well field and a number of metal buildings that were built in 1972.

There are no on-going corrective action activities at the site, and no remedial investigation or remedial actions are being considered at this time. The Arizona Department of Environmental Quality ("ADEQ") filed a Proof of Claim against ASARCO, a portion of which asserts liability relating to the Sacaton site. In informal discussions with the ADEQ regarding its claim, the ADEQ has suggested that up to $40 million of its Claim should be apportioned to the Sacaton site.

(5) Perth Amboy.

ASARCO operated the Perth Amboy, New Jersey facility as a nonferrous metals refinery from 1894 through 1976. Following the transfer of the refining functions to the Amarillo Copper Refinery, the Perth Amboy site transitioned into an industrial/commercial warehouse facility.

The Perth Amboy site is a port facility located in an historical industrial area on the Arthur Kill Sound. The site occupies 70.5 acres including a waterfront pier, bulkhead and 16 buildings. There are also several remaining mill and refining structures that are unused and not part of the 16 building warehouse complex.

The City of Perth Amboy declared the site a "redevelopment zone" in 1997 and has evaluated the potential to include the site in the City's comprehensive long-range development plan.

Currently there are 17 leases on-site, which utilize 44% of the total available warehouse space and create a gross annual cash flow of approximately $1 million.

There are no on-going corrective actions. However, ASARCO is performing groundwater investigations and evaluating remedial options for hydrocarbon and metal impacts in response to requirements by the New Jersey Department of Environmental Protection. The full extent of required remedial action has not been identified.

(e) Subsidiary Debtors.

The Subsidiary Debtors are direct or indirect majority-owned subsidiaries of ASARCO. Prior to 1986, Lac d'Amiante du Québec Ltée ("LAQ") was in the business of mining asbestos fiber from the Black Lake region of central Quebec, Canada, and CAPCO Pipe Company, Inc. (f/k/a/ Cement Asbestos Products Company) ("CAPCO") formerly manufactured various asbestos-containing cement pipe products. LAQ, CAPCO and the remaining Subsidiary Debtors do not currently have any operations. ASARCO Master owns various tracts of real property, including a site in Houston, Texas that is on the Texas state superfund list.

1.2 Current Management of the Debtors.

(a) ASARCO.

ASARCO's current directors are Edward R. Caine, H. Malcolm Lovett, Jr. and Carlos Ruiz Sacristán (chairman of the board). As discussed in Section 2.7 below, during its bankruptcy case, ASARCO has a three-member board of directors, with one director (Mr. Ruiz) appointed by ASARCO's indirect parent ASARCO Incorporated (the "Parent") and two independent directors (Mr. Caine and Mr. Lovett). If either Mr. Caine or Mr. Lovett resigns or is otherwise unable to serve, a replacement director will be selected by the remaining members of the board, subject to approval of the Bankruptcy Court. The Committees and the FCR will have an opportunity to interview any such replacement director prior to the hearing.

ASARCO's current senior executive officers are:

Name	Title
Joseph F. Lapinsky	Chief Executive Officer and President
Donald B. Mills	Chief Financial Officer
Douglas E. McAllister	Executive Vice President, General Counsel & Secretary
John B. George	Vice President, Administration
Gary A. Miller	Vice President, Commercial
Manuel E. Ramos Rada	Vice President, Metallurgical Operations
Thomas L. Aldrich	Vice President, Environmental Affairs
John D. Low, Jr.	Vice President, Mining Operations
Oscar Gonzalez Barron	Treasurer
Russell A. Smith	Controller

(b) The Subsidiary Debtors.[3]

Entity Name	Officers	Directors
ASARCO Consulting, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President	Douglas E. McAllister
Encycle, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President	Douglas E. McAllister
CAPCO Pipe Company, Inc.	William Perrell, President and Secretary	William Perrell
Cement Asbestos Products Company	William Perrell, President and Secretary	William Perrell
Lac d'Amiante du Québec Ltée	William Perrell, President and Secretary	William Perrell
Lake Asbestos of Québec, Ltd.	William Perrell, President and Secretary	William Perrell
LAQ Canada, Ltd.	William Perrell, President and Secretary	William Perrell
ASARCO Master, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
Bridgeview Management Company, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
ASARCO Oil and Gas Company, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
Government Gulch Mining Company, Limited	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
ALC, Inc.	Douglas E. McAllister, President Thomas L. Aldrich, Vice President and Secretary Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
American Smelting and Refining Company	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister

[3] The chart listing the officers and directors of the Subsidiary Debtors does not include (1) Encycle/Texas, Inc., whose bankruptcy case was converted to a chapter 7 liquidation case by order entered on October 24, 2005, and has, since then, been separately administered; or (2) AR Sacaton, LLC, an Arizona limited liability company, and Salero Ranch Unit III Community Association, Inc., which cases were deconsolidated and dismissed by order entered on July 14, 2008.

Entity Name	Officers	Directors
AR Mexican Explorations, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
Covington Land Company	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
Southern Peru Holdings, LLC	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
AR Sacaton, LLC	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
ASARCO Exploration Company, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
Green Hill Cleveland Mining Company	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
Alta Mining and Development Company	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Joseph Hitter Douglas E. McAllister Thomas L. Aldrich John D. Low Manuel E. Ramos Rada
Blackhawk Mining and Development Company, Limited	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Joseph Hitter Douglas E. McAllister Thomas L. Aldrich John D. Low Manuel E. Ramos Rada
Peru Mining Exploration and Development Company	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister
Tulipan Company, Inc.	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Douglas E. McAllister

Entity Name	Officers	Directors
Wyoming Mining and Milling Company	Douglas E. McAllister, President and Secretary Thomas L. Aldrich, Vice President Joseph Hitter, Vice President, Assistant Secretary and Treasurer	Joseph Hitter Douglas E. McAllister Thomas L. Aldrich John D. Low Manuel E. Ramos Rada

(c) Compensation and Benefits of Officers and Directors.

ASARCO's directors are paid $100,000 annually for their service as directors and are reimbursed their reasonable expenses, if any, of attendance at each meeting of the board of directors or such other actions as is required of a director while serving in such capacity, including the reimbursement of all expenses incurred in performing due diligence or investigation of ASARCO. Members of special or standing committees may be allowed like compensation for attending committee meetings. ASARCO's directors are also entitled to indemnification to the fullest extent provided under Delaware law, and directors' and officers' insurance.

Mr. Lapinsky receives an annual base salary of $500,000, pursuant to a two-year employment contract (the "CEO Agreement") with an automatic one-year renewal term in the absence of advance notice of termination by either party, and an expiration date set one year after the effective date of a plan of reorganization, unless the parties agree to extend it for an additional year.

Mr. Lapinsky is eligible for an annual bonus of up to 75% of base salary, which is determined at the sole discretion of the board of directors and contingent upon his employment on January 1 following the performance year. He is also eligible for a one-time retention payment equal to 35% of his initial base salary, payable 50% on the effective date of a plan of reorganization and 50% three months after such effective date, contingent upon his employment on the date payment is due or upon termination due to death, disability or circumstances giving rise to severance eligibility as set forth below.

Additionally, Mr. Lapinsky is eligible to receive a success bonus equal to two times his initial base salary reduced by (1) the aggregate retention payment set forth above and (2) 15 percent, 30 percent or 50 percent of his initial base salary depending on whether the effective date of a plan occurs after December 31, 2007 but before April 1, 2008, after March 31, 2008 but before July 1, 2008, or after June 30, 2008, respectively. The success bonus will be payable three months after the effective date of a plan, contingent upon Mr. Lapinsky's employment on the date the payment is due or upon termination due to death, disability or circumstances giving rise to severance eligibility as set forth below.

The CEO Agreement provides for severance in an amount equivalent to 24 months of Mr. Lapinsky's base salary as in effect at that time, provided that the severance benefits will be limited such that the sum of the severance benefits, success bonus, and the retention payment will not exceed three times the base salary. Severance will be payable only if the employment relationship is either terminated by ASARCO other than for cause or disability, or by Mr. Lapinsky for good reason (as set forth in the CEO Agreement). In the event of such termination or resignation, Mr. Lapinsky also will be entitled to (1) if termination occurs during 2006, a pro rata bonus based on 30% of the salary payable for the number of days of employment elapsed prior to such termination or resignation, and (2) life insurance, medical and long-term disability benefits on the same terms as provided immediately prior to such termination or resignation, for the greater of 12 months or the remainder term of the CEO Agreement. The severance obligations include a pro rata portion of the annual bonus based on target level and number of days of employment elapsed during the performance calendar year prior to termination or resignation.

Other benefits to be provided to Mr. Lapinsky under the CEO Agreement include the following: four weeks paid vacation each year; use of an automobile in accordance with company policy; reimbursement of travel expenses and living expenses for a limited period of time; reimbursement of reasonable and customary out-of-pocket expenses (including relocation expenses and up to $20,000 for all expenses incurred in connection with the negotiation and preparation of the CEO Agreement); and, participation in ASARCO's benefit plans, consistent with the benefits afforded to other employees generally. Furthermore, on or prior to the effective date of a plan of reorganization, ASARCO will obtain a standby irrevocable letter of credit in favor of Mr. Lapinsky and beneficiaries in an amount equal to the aggregate of the retention payment, the success bonus, the severance and other applicable benefits. Mr. Lapinsky received a one-time "extraordinary performance bonus" in the amount of $85,000 (*i.e.*, 20% of base salary) in October 2007.

Additionally, Mr. Lapinsky will be entitled to indemnification to the full extent available under Delaware law as an officer of ASARCO, in accordance with the LLC Agreement, and on the same terms afforded the current directors and Mr. McAllister during his tenure as interim chief executive officer. See Section 2.7 below for a description of Mr. McAllister's service as an officer of ASARCO.

Mr. McAllister receives an annual base salary of $250,000. He is entitled to indemnification, to the full extent provided under Delaware law, and to participate in ASARCO's salary, incentive, and employee retention and recruiting plan (which is discussed below in Section 2.16(d)).

Mr. Perrell receives from the Asbestos Subsidiary Debtors a monthly fee of $4,000 and any reasonable and necessary travel expenses incurred in the performance of services as officer and sole director of the Asbestos Subsidiary Debtors. ASARCO guarantees payment of this compensation. Mr. Perrell is also entitled to indemnification from the Asbestos Subsidiary Debtors.

1.3 Factors Leading to the Need for Bankruptcy Relief.

As described more fully below, although copper prices recently have reached record highs, in 2005 ASARCO was recovering from the last long downturn in the copper market. Additionally, despite its efforts to negotiate new contracts with its labor unions, ASARCO was experiencing a labor strike at its copper-mining, smelting and refining facilities. Furthermore, ASARCO was subject to substantial environmental claims and was burdened by Asbestos Personal Injury Claims pending against it and/or the Asbestos Subsidiary Debtors. ASARCO also had nearly $440 million in bond debt. As a result of the foregoing, ASARCO elected to seek protection under the bankruptcy laws for the benefit of all its creditors and stakeholders.

(a) Longstanding Insolvency.

After Grupo Mexico acquired ASARCO in a leveraged buyout in 1999, ASARCO was saddled with the debt from the transaction – including an $817 million loan from various banks. After paying down some of that debt by selling two of its non-mining subsidiaries, the company remained indebted on a $450 million revolving credit facility. In addition, by late 2001, ASARCO faced claims of trade creditors, asbestos claimants, and environmental claimants – all debts it was unable to pay as they became due. ASARCO monetized insurance policies, sold valuable mining properties for surface value, and curtailed crucial operational stripping for want of funds. These desperate actions afforded the company little relief. At the end of 2003, ASARCO had a negative cash flow of $151.1 million.

In the midst of this financial crisis, in 2002 to 2003, Grupo Mexico decided that ASARCO should sell its most valuable asset, its controlling interest in Southern Peru Copper Company (now known as Southern Copper Company ("SCC")) to AMC, another of Grupo Mexico's subsidiaries. The DOJ filed suit to block the transaction out of concern that ASARCO would be unable to pay the environmental obligations on which it was already in default, as well as substantial future claims. The government settled the suit, agreeing to dismiss its request that ASARCO be enjoined from proceeding with the sale and providing ASARCO a three-year limitation regarding enforcement of certain environmental claims in exchange for the restructuring of the terms of the proposed sale, including the addition of a $100 million promissory note assigned to an environmental trust. *See* Section 3.9(h) for further discussion of the Prepetition ASARCO Environmental Trust. In addition to funding the trust as part of the SCC transaction, AMC gave ASARCO a note with a nominal value of $123 million and forgave intercompany debt of $41.75 million. ASARCO's officers at the time testified that the transaction gave the company no additional working capital. After the sale, ASARCO continued in crisis mode, unable to resume normal operations or catch up from years of operational neglect despite substantially rising copper prices.

In 2007, ASARCO filed suit against AMC alleging that the SCC sale was a fraudulent transfer. *See* Section 2.24(c) below.

(b) Environmental Obligations.

As a result of ASARCO's more than 100 years of operating history, ASARCO and certain of its non-operating subsidiaries are subject to actual and potential environmental remediation and reclamation obligations at numerous sites around the country. There are more than 100 sites spread over approximately 16 states, in which ASARCO or one of its subsidiaries is alleged to be responsible for environmental clean-up costs. ASARCO is a party to numerous consent decrees and lawsuits brought by federal and state governments and private parties as a result of its lead, zinc, cadmium, arsenic, and copper mining, smelting, and refining operations. The three-year limitation regarding enforcement of certain environmental

claims of the federal government described above was to end in early 2006, causing ASARCO to feel rising pressure from federal and state governments to meet increased remediation demands.

(c) Asbestos-Related Claims.

The Debtors' alleged asbestos liabilities relate primarily to historical operations of two of ASARCO's subsidiaries, CAPCO and LAQ. Although LAQ has not milled asbestos since the late 1980's and CAPCO has not produced asbestos-containing products for over a decade, by the late 1990's, both CAPCO and LAQ had been named in thousands of asbestos lawsuits around the country. As a result of the massive asbestos litigation, five of ASARCO's non-operating subsidiaries filed the Asbestos Subsidiary Cases.

Having never mined, milled, manufactured or sold asbestos or asbestos-containing products, ASARCO has no direct liability for any materials or products mined, milled, manufactured or sold by CAPCO or LAQ. Nonetheless, ASARCO was named as defendant in a large number of the asbestos actions against either CAPCO or LAQ. Although a limited number of the Claims (estimated at less than one percent of the total active asbestos-related claims filed as of the Petition Date) are based on direct theories of liability arising primarily from alleged exposure to asbestos at facilities owned or operated by ASARCO, the majority are derivative of Claims against CAPCO or LAQ.

(d) Labor-Related Issues.

Unionized workers, represented primarily by the USW, and certain other hourly paid employees representing nearly 1500 employees in total (about 70% of the workforce), went on strike beginning on July 2, 2005. The plants affected by the strike were ASARCO's refinery in Amarillo, Texas, its smelter in Hayden, Arizona, as well as ASARCO's Ray, Mission and Silver Bell copper mines and associated mills. At the center of the strike were nine collective bargaining agreements. Eight of these agreements, covering about 750 workers at ASARCO's Mission and Silver Bell mines and its smelters in Hayden and Amarillo, expired in 2004. The ninth contract, which expired on June 30, 2005, covered about 800 workers at the Ray mine. ASARCO used salaried employees and some temporary workers to operate these plants during the period of the strike.

Because it is a high cost producer in the copper industry, ASARCO sought to reduce costs, and a significant component of the company's cost structure was its labor costs. Since approximately June 2004, ASARCO had been negotiating new collective bargaining agreements and retiree benefits with union officials. During this period, ASARCO was owned and directed by the Parent. The Unions filed charges against ASARCO with the National Labor Relations Board, accusing it of failing to bargain in good faith. Thereafter, the Unions commenced a four-month strike.

(e) Bond Debt.

On the Petition Date, ASARCO had approximately $440 million in long-term bond debt, with maturities ranging from April 2013 to October 2033, as follows:

Bond	**Maturity**	**Face Value**
CSFB JP Morgan Sec Debentures at 7.875%	April 15, 2013	$100.00m
Nueces River Env Bond (IRB) Series 1998 A 5.60%	April 1, 2018	$22.20m
CSFB Corporate Debentures at 8.50%	May 1, 2025	$150.00m
Gila County - Installment Bond 5.55%	January 1, 2027	$71.90m
Lewis & Clark County Env Bond (IRB) 5.60%	January 1, 2027	$33.16m
Nueces River Env Bond (IRB) 5.60%	January 1, 2027	$27.74m
Lewis & Clark County Env Bond (IRB) 5.85%	October 1, 2033	$34.80m
Total		**$439.8m**

SECTION 2
EVENTS DURING THE REORGANIZATION CASES

2.1 Commencement of the Reorganization Cases.

The Debtors filed voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code in the Bankruptcy Court at various times in 2005, 2006 and 2008 as is shown in **Exhibit O** attached hereto. The Reorganization Cases are being jointly administered as *In re ASARCO LLC, et al.*, Case No. 05-21207.

2.2 First Day Relief.

(a) Asbestos Subsidiary Debtors.

When the Asbestos Subsidiary Debtors' bankruptcy cases were filed on April 11, 2005, they concurrently filed several "first day" motions. As a result, the Bankruptcy Court entered orders granting joint administration of the cases; extending the time for filing Schedules and Statements; authorizing the retention of Jordan, Hyden, Womble & Culbreth as their attorneys; establishing procedures for interim compensation and reimbursement of expenses for professionals; and authorizing the debtors to (1) file a consolidated list of creditors in lieu of a matrix, (2) file a consolidated list of the debtors' largest creditors, and (3) serve all required case notices.

The Bankruptcy Court also approved notice procedures for asbestos claimants and authorized the Debtors to list addresses for counsel of represented asbestos claimants in the creditors' matrix in lieu of the asbestos claimants' addresses. As a result, the Asbestos Subsidiary Debtors were authorized to send notices relating to their bankruptcy cases to counsel of record for the individual asbestos claimants, and were not required to send such notices directly to asbestos claimants who are represented by counsel who receive notice. The Bankruptcy Court also entered an order directing all counsel who receive notice of the Asbestos Subsidiary Cases and the related adversary proceeding (which is discussed below in Section 2.19(b)) to notify their affected clients of the pendency of the proceedings.

(b) ASARCO.

In connection with the Reorganization Cases, the Debtors devoted significant attention to continuing ASARCO's operations in chapter 11 with as little disruption and loss of productivity as possible, maintaining the confidence and support of employees and service providers, obtaining postpetition financing, and establishing procedures for the smooth and efficient administration of these cases.

In order to provide for the continued and uninterrupted service of its employees, ASARCO obtained authority on the Petition Date, in accordance with its stated policies and in its sole discretion, to honor and pay in full the accrued and unpaid compensation, benefit and reimbursement obligations to employees; and authorize and direct all applicable banks and other financial institutions to honor and pay any and all checks drawn on ASARCO's payroll and other disbursement accounts in respect of such employee obligations, provided that sufficient funds are available in the applicable accounts to make those payments.

In addition, the Debtors obtained authority shortly after the Petition Date to continue their prepetition insurance program.

Other "first day" relief included: (1) joint administration of the Reorganization Cases; (2) an extension of time to file Schedules and Statements; (3) authority to file a consolidated list of creditors in lieu of a matrix and to serve all notices in the Reorganization Cases; (4) an extension of the notice procedure approved in the Asbestos Subsidiary Cases for asbestos claimants to ASARCO, thereby authorizing ASARCO to serve notices related to the Reorganization Cases upon counsel of record for asbestos or toxic tort claimants rather than notifying each individual claimant; (5) retention of attorneys for ASARCO; (6) an order restraining utilities from discontinuing, altering, or refusing service, and establishing procedures for determining that adequate assurance has been provided to utilities; and (7) authority to maintain the Debtors' cash management systems to continue to use prepetition bank accounts, checks and other business forms and to continue to apply existing investment guidelines.

All of the foregoing relief was essential to minimize disruptions to ASARCO's business as a result of the commencement of the Reorganization Cases and to permit the Debtors to make a smooth transition to operations in chapter 11.

2.3 Retention of Professionals by the Debtors.

The Debtors have obtained Bankruptcy Court approval to retain a number of Professional Persons to represent them in their Reorganization Cases. **Exhibit N** to this Disclosure Statement contains a list of the Professional Persons retained by the Debtors pursuant to a separate retention application and order.

Moreover, by order entered on October 3, 2005 (the "Ordinary Course Professionals Order"), the Bankruptcy Court permitted the Debtors to employ Professional Persons in the ordinary course of their business (the "Ordinary Course Professionals") without the necessity of filing individual retention applications for each such professional, and to pay the Ordinary Course Professionals in the ordinary course of business without formal application to the Bankruptcy Court by any such professional; *provided, however*, that such fees and disbursements do not exceed an average of $20,000 per month (calculated on a rolling 6-month average) per professional. With respect to those Ordinary Course Professionals who do not exceed the $20,000 per month limitation, the Debtors were authorized, in their discretion, to pay 100% of their interim fees and disbursements upon the submission to the Debtors of an appropriate invoice setting forth in reasonable detail the nature of the services rendered. In addition to the Ordinary Course Professionals included in the Debtors' original list, the Debtors have filed a number of supplements to the Ordinary Course Professionals list.

By order entered on December 15, 2005 (the "Interim Compensation Order"), the Bankruptcy Court established procedures for interim compensation and reimbursement of expenses of professionals of ASARCO and the ASARCO Committee that are retained by separate application and order. Pursuant thereto, court-approved professionals may submit a monthly statement to ASARCO, counsel to the Debtors' postpetition lenders, the U.S. Trustee, and a representative of the ASARCO Committee. If no objection is served within 20 days after receipt of the monthly statement, ASARCO may pay 80% of the fees and 100% of the out-of-pocket expenses requested in the statement. The Interim Compensation Order further provides for the professionals to file with the Bankruptcy Court interim fee applications approximately every four months.

By order entered on April 20, 2007, the Bankruptcy Court extended the Ordinary Course Professionals Order and the Interim Compensation Order to apply to all of the Debtors including any Debtor in bankruptcy cases subsequently filed by affiliates of the current Debtors, but not including the Asbestos Subsidiary Debtors.

2.4 Appointment of Official Committee of Unsecured Creditors for ASARCO.

On August 25, 2005, the U.S. Trustee appointed an official committee of unsecured creditors for ASARCO. The current membership of the ASARCO Committee is as follows:

Deutsche Bank Trust Company Americas
Attn: Stanley Burg
60 Wall Street
NYC 60-2715
New York, NY 10005

Wilmington Trust Company
Attn: Steve Cimalore
Rodney Square North
1100 North Market Street
Wilmington, DE 19890

Pension Benefit Guaranty Corporation
Attn: Roger Reiersen
1200 K Street, N.W.
Washington, D.C. 20005-4026

United Steelworkers
Attn: David R. Jury
Five Gateway Center
Pittsburgh, PA 15222

The Doe Run Resources Company
Attn: Lou Marucheau
1801 Park 270 Drive, Suite 300
St. Louis, MO 63146

Gold Fields Mining, L.L.C.
Roger B. Wolcott, Jr., President
14062 Denver West Parkway
Golden, CO 80401

The ASARCO Committee has retained the following professional persons:

Name	**Description of Services**
Reed Smith LLP	Counsel
Fulbright & Jaworski L.L.P.	Local Counsel
FTI Consulting, Inc.	Financial Advisors
Bates White LLC	Consultant on Asbestos and Silica Related Matters

2.5 Appointment of an Official Committee of Unsecured Creditors for the Asbestos Subsidiary Debtors and Motion Seeking Appointment of an Official Committee of Asbestos Claimants.

On April 27, 2005, the U.S. Trustee appointed an official committee of unsecured creditors for the Asbestos Subsidiary Debtors. The current membership of the Asbestos Subsidiary Committee is as follows:

Barbara Zondervan
c/o Robert Phillips
Simmons Cooper, LLC
707 Berkshire Blvd.
PO Box 521
East Alton, IL 62024

Thomas Brown
c/o Ryan A. Foster
Ryan A. Foster Law Firm
440 Louisiana St., Suite 2100
Houston, TX 77002

Melvin Eldon Boggs
c/o Alan Rich
Baron & Budd, P.C.
3102 Oak Lawn Ave., Suite 1100
Dallas, TX 75219

Kenna Hall Terrell
c/o Steven Kazan
Kazan McClaim Abrams
Fernandez Lyons & Farrise
171 Twelfth St., Suite 300
Oakland, CA 94607

Robert H. Lawhorn
c/o Robert Shuttlesworth
Williams Bailey Law Firm
8441 Gulf Freeway, Suite 600
Houston, TX 77017

Benito T. Caceres
c/o Eric Bogdan
The Bogdan Law Firm
8866 Gulf Freeway, Suite 515
Houston, TX 77017

James A. Bailey
c/o Brian Blevins
Provost Umphrey Law Firm
490 Park St.
Beaumont, TX 77704

Robert Ryan
c/o Christina Skubic
Brayton Purcell
222 Rush Landing Rd.
Novato, CA 94948

Timothy Crisler
c/o Lou Thompson Black
Brent Coon and Associates
917 Franklin, Suite 100
Houston, TX 77002

Myra Meiers
c/o Thomas W. Bevan
Bevan & Associates, LPA
10360 Northfield Rd.
Northfield, OH 44067

Samuel M. Cox
c/o Thomas M. Wilson
Kelley & Ferraro, LLP
1300 E. Ninth St., Suite 1901
Cleveland, OH 44114

The Asbestos Subsidiary Committee has retained the following professional persons:

Name	**Description of Services**
Stutzman, Bromberg, Esserman, & Plifka	Counsel
L Tersigni Consulting PC	Financial Advisors (terminated on 6/6/07)
Charter Oaks Financial Consultants, LLC	Financial Advisors
Risk International	Insurance Advisors
David P. Anderson and The Claro Group, LLC	Insurance Advisors
Legal Analysis Systems, Inc.	Asbestos Claims Consultant
Law Offices of Dean Baker	Connecticut Local Counsel

By motion filed on July 18, 2008, the Debtors sought an order directing the U.S. Trustee to appoint an Official Committee of Asbestos Claimants (the "Asbestos Claimants' Committee") to represent the specific class of creditors with asbestos-related claims against ASARCO and the Asbestos Subsidiary Debtors in the Reorganization Cases. The Asbestos Claimants' Committee would be made up of the current members of the Asbestos Subsidiary Committee and three additional members who have Asbestos Premises Liability Claims. Aurelio Arias, Gary Ellis and Juan Magallenas have

asserted Asbestos Premises Liability Claims and are willing and able to serve on the expanded committee. The Bankruptcy Court has set this motion for hearing on August 15, 2008.

If the motion is granted, upon the appointment of these new committee members by the U.S. Trustee, the existing Asbestos Subsidiary Committee will be reconstituted and renamed the "Official Committee of Asbestos Claimants" and shall have all the rights and powers of an official committee in the Reorganization Cases, and the existing Asbestos Subsidiary Committee shall continue its existence in the Asbestos Subsidiary Cases as a subcommittee of the new Asbestos Claimants' Committee for purposes of fulfilling the Asbestos Subsidiary Committee's obligations in connection with the Derivative Asbestos Claims, specifically including the existing Asbestos Subsidiary Committee's role under the Stipulation and Agreement Regarding the Prosecution or Alter Ego Claims on Behalf of the Asbestos Subsidiary Debtors' Estates. In that event, it is expected that the Asbestos Claimants' Committee would share professionals with the Asbestos Subsidiary Committee.

2.6 Appointment of a Future Claims Representative.

The Bankruptcy Court approved the selection of Judge Robert C. Pate as the legal representative (the "FCR") in the Asbestos Subsidiary Cases to represent the interests of future asbestos-related claimants. On July 17, 2008, ASARCO filed a motion seeking the appointment of Judge Pate as the legal representative for future Claimants with asbestos-related Claims against ASARCO (the "ASARCO FCR"). This motion is set for hearing on August 15, 2008.

Judge Pate is a former Texas State District Judge holding visiting status, and is a solo practitioner in Corpus Christi, Texas with extensive experience in complex business and personal injury cases. Judge Pate has been appointed in numerous complex bankruptcy proceedings to provide special services to the Court and litigants, including *In re TransTexas Gas Corporation, et al.*, Case No. 99-21550 and *In re EnRe, L.P.*, Case No. 02-21354, both filed in the Bankruptcy Court. Judge Pate was appointed and serves as the future claims representative in the silicosis mass-tort bankruptcy case, *In re Clemtex, Inc.*, Case No. 01-21794, also filed in the Bankruptcy Court. In that case, the Bankruptcy Court confirmed a consensual plan of reorganization, pursuant to which a trust for present and future silicosis claimants was created, and a channeling injunction was imposed. Judge Pate receives $350.00 per hour as compensation for his services, and reimbursement of his out-of-pocket expenses. Judge Pate's resume is attached hereto as **Exhibit M**.

The FCR has obtained approval of the Bankruptcy Court to retain the following Professional Persons:

Name	**Description of Services**
Oppenheimer, Blend, Harrison & Tate, Inc.	Counsel
Legal Analysis Systems, Inc.	Asbestos Claims Consultant
Charter Oaks Financial Consultants	Financial Advisors

2.7 Corporate Governance and Appointment of Examiner.

Sometime in late August or early September 2005, all of ASARCO's prepetition directors resigned from the board of directors. On or about September 23, 2005 Carlos Ruiz Sacristan and Javier Perez Rocha were appointed as directors by ASARCO's ultimate parent, Grupo Mexico. In early October 2005, Mr. Rocha resigned from the board, leaving Mr. Ruiz as the sole director. On or about November 14, 2005, Daniel Tellechea resigned as chief executive officer.

In November 2005, the Committees and the FCR filed pleadings seeking the appointment of a chief restructuring officer and raising questions about the independence of Mr. Ruiz as sole director. Pursuant to a Stipulation and Order Regarding Corporate Governance (the "Corporate Governance Stipulation"), agreed to by the Committees, the FCR, ASARCO, the Parent, and Mr. Ruiz, and entered by the Court on December 15, 2005, two independent directors, H. Malcolm Lovett, Jr. and Edward R. Caine, were appointed to join Mr. Ruiz, and Douglas McAllister was appointed as interim chief executive officer. Mr. McAllister had previously served as vice president, general counsel and secretary of ASARCO for approximately four years. The stipulation also implemented controls and amendments to ASARCO's Limited Liability Company Agreement (the "LLC Agreement") to assure the independence of its board of directors from the interests of ASARCO's indirect parent companies, AMC and Grupo Mexico, set compensation, and provided indemnity and insurance for the directors and Mr. McAllister. The LLC Agreement was amended, by written consent of the directors dated January 9, 2006 and effective as of December 15, 2005, to implement the changes required by the stipulation. The Court approved additional amendments to the LLC Agreement by order entered on April 3, 2006.

On January 23, 2006, the board unanimously determined to create a special committee of independent directors (the "Independent Committee") to handle matters where conflicts of interest may be present. By written consent in lieu of a meeting on February 3, 2006, the board appointed the Independent Committee to oversee transactions with Grupo Mexico and its affiliates. Thereafter, additional matters, including all litigation regarding the Tax Sharing Agreement between ASARCO and AMC, and the SCC Litigation, were referred to the Independent Committee.

The board selected Joseph F. Lapinsky as president and permanent chief executive officer, and Tom S.Q. Yip as vice president and chief financial officer. Their employment agreements were approved, effective July 1, 2006, by the Bankruptcy Court on July 13, 2006. Mr. McAllister became executive vice president and also resumed his former duties as general counsel and secretary. Similarly, the Asbestos Subsidiary Debtors each selected William Perrell as sole director and president, and his employment was approved by the Bankruptcy Court on August 22, 2006. Mr. Yip later resigned, and Donald Mills now serves as ASARCO's chief financial officer.

The Corporate Governance Stipulation permits the two independent directors to hire, at ASARCO's expense, independent counsel and other advisors. By order entered on March 12, 2007, the Independent Committee was authorized to retain Porter & Hedges L.L.P. as independent counsel to the Independent Committee to address matters relating to its role and responsibilities in that capacity.

On January 23, 2007, the Parent filed a motion to amend the Corporate Governance Stipulation and the LLC Agreement to provide for ASARCO to have a 5-member board of which three directors would be appointed by the Parent. Objections to this motion were filed by ASARCO, the Committees, the FCR, the USW, the majority bondholders and the United States on behalf of the EPA, the USDA and Interior. After a hearing thereon on February 16, 2007, the Bankruptcy Court ruled that there was not sufficient evidence to alter the Corporate Governance Stipulation.

On March 23, 2007, the Parent filed a motion seeking access to information or, alternatively, for an order amending the Corporate Governance Stipulation to provide for a five-member board, with three members appointed by it. The motion sought to compel ASARCO to provide the Parent's financial advisor with immediate access to financial and operational data in order to allow the Parent, subject to its due diligence review, to propose a plan of reorganization that would pay all creditors in full and allow the Parent to retain its Interest in ASARCO. During the April 11, 2007 hearing thereon, ASARCO agreed to provide the Parent and all qualified, interested plan sponsors equal access to financial and operational information for the purpose of submitting chapter 11 plan sponsor proposals for ASARCO's consideration, upon execution of a mutually agreeable confidentiality agreement and ASARCO's completion of an electronic data room. On May 1, 2007, the Bankruptcy Court entered an order on the motion, which denied the request for amendment of the Corporate Governance Stipulation, and directed ASARCO and the Parent to promptly negotiate a mutually acceptable confidentiality agreement. Upon execution of such agreement, the order called for ASARCO to provide the Parent, on a non-exclusive basis, access to the information that has been or is shared with Harbinger Capital Partners or any of its affiliates.

On August 13, 2007, the Parent filed a motion seeking to require ASARCO to obtain consent from the Parent before entering into a settlement or compromise that results in a cash payment and/or claim allowance in excess of $10 million. Objections to this request were filed by ASARCO, the ASARCO Committee, the Asbestos Subsidiary Committee and the FCR. After conducting a hearing thereon, the Bankruptcy Court denied the motion by order entered on November 20, 2007. The Parent filed a notice of appeal from that order, thereby initiating Civil Action No. 07-461. By order entered on April 18, 2008, the District Court denied the appeal as procedurally infirm and substantively without merit. On May 19, 2008, the Parent filed a notice of appeal to the United States Court of Appeals for the Fifth Circuit from the District Court's order, which is pending as Docket # 08-40570.

On January 10, 2008, the Parent filed a motion seeking the appointment of an examiner to investigate the good faith of ongoing plan negotiations among the Debtors and certain constituents, conduct a valuation of the Debtors, investigate the good faith of the settlements of claims reached by ASARCO with the asbestos claimants, and investigate whether ASARCO has been properly fulfilling its fiduciary duties to the Parent (the "Examiner Motion"). Numerous objections were filed. After conducting a hearing on the Examiner Motion on February 8, 2008, the Bankruptcy Court entered an order on March 4, 2008, which directed the appointment of an examiner. While any party could ask the Bankruptcy Court to assign specific duties to the examiner at any time, the examiner was not given any duties at that time.

On March 11, 2008, the Parent filed a petition for writ of mandamus in the District Court, seeking a writ of mandamus ordering the Bankruptcy Court to assign to an examiner the topics listed in the Parent's Examiner Motion. The Parent asserted that the Bankruptcy Court constructively disregarded sections 1104(c) and 1106(b) of the Bankruptcy Code by assigning no duties to the examiner. The District Court granted the Parent's request for expedited consideration of the

petition, and set oral arguments for April 22, 2008. However, prior to the oral arguments, the Parent filed an unopposed motion to dismiss its mandamus petition, which was granted on April 18, 2008.

On April 9, 2008, the Bankruptcy Court entered its Order Establishing the Scope of the Examiner Pursuant to 11 U.S.C. § 1104(b). In that order, the Bankruptcy Court directed the examiner to monitor and assess whether the Plan Sponsor Selection Meeting (as defined in Section 2.28 below) was conducted in a manner consistent with the Interim Order Granting Motion of ASARCO LLC for an Order Approving Bid Procedures in Connection with Selecting a Chapter 11 Plan Sponsor and Exit Transaction under a Chapter 11 Plan. Any party, including the examiner, may request an expansion or reduction of the examiner's powers and duties.

On April 14, 2008, the U.S. Trustee filed an application for approval of his appointment of Michael Denis Warner of the law firm of Warner Stevens, LLP as the examiner. By order entered on April 16, 2008, Michael Warner was appointed as examiner. By order entered on May 20, 2008, Mr. Warner was authorized to employ the law firm of Warner Stevens, L.L.P. as his counsel in the Reorganization Cases.

2.8 Payment of Prepetition Obligations to Certain Critical Vendors.

ASARCO obtained authority to pay prepetition amounts owed to six critical vendors, conditioned upon their providing goods and services postpetition on terms that are mutually acceptable to ASARCO and the vendor, and approval and funding of a debtor-in-possession credit facility. In each instance, payment of the critical vendors' prepetition claims was vital to ASARCO's reorganization efforts because (a) the goods and services provided by them were the only meaningful source from which the Debtors could procure the goods and services; (b) failure to pay the critical vendors would likely result in loss of the goods and services; and (c) such loss would have an immediate and severe impact that would jeopardize ASARCO's operations and ability to reorganize. The amount paid to critical vendors totaled about $4 million.

2.9 Extensions of Exclusivity.

The Bankruptcy Court has entered several orders extending the Debtors' exclusive periods to file a chapter 11 plan of reorganization and solicit acceptances of such plan. By order entered April 8, 2008, the Bankruptcy Court extended the Debtors' exclusive periods for filing a chapter 11 plan until June 10, 2008 and the deadline to obtain acceptances of such plan until August 12, 2008.

On June 3, 2008, the Debtors filed their eleventh motion to extend their exclusive periods to file a plan until August 1, 2008 and to solicit acceptances thereto until January 16, 2009. The Debtors also sought a bridge order extending their exclusive period to file a plan from June 10, 2008 until the entry of an order resolving the exclusivity motion. The Bankruptcy Court entered an agreed bridge order extending the Debtors' exclusive period to file a plan until the entry of an order resolving the exclusivity motion, but in no event later than June 16, 2008. The Bankruptcy Court conducted a hearing on the exclusivity motion, among other matters, on June 12 and 13, 2008. The Bankruptcy Court entered a second bridge order extending the Debtors' exclusive period to file a plan until July 2, 2008 and took the Debtors' request to extend that period until August 1, 2008 under advisement. On July 2, 2008, the Bankruptcy Court entered an order extending the Debtors' exclusive periods to file and solicit acceptances of the plan until August 1, 2008 and January 16, 2009, respectively; *provided*, *however*, that the Debtors' exclusivity periods are modified solely to allow the Parent and AMC to file a competing plan and solicit acceptances thereof.

Harbinger Capital Partners Master Fund I, Ltd. filed a notice of appeal from the Bankruptcy Court's earlier July 20, 2007 order extending exclusivity and two related orders on discovery issues. The appeal is pending before the District Court as Civil Action No. 07-325.

2.10 Executory Contracts and Unexpired Leases.

(a) Extension of Time to Assume or Reject Unexpired Leases of Nonresidential Real Property.

The Bankruptcy Court has entered several orders extending the time by which ASARCO must determine whether to assume or reject its unexpired leases of nonresidential real property. By order entered on April 22, 2008, the Bankruptcy Court extended this deadline until August 13, 2008. By motion filed on July 11, 2008, the Debtors have sought to extend this deadline until January 1, 2009.

(b) Motions Under Section 365 of the Bankruptcy Code.

Since their bankruptcy filing, the Debtors have filed motions, and obtained authority, pursuant to section 365 of the Bankruptcy Code, to assume certain executory contracts and unexpired leases and to reject others.

(c) Assumption of Shareholders' Agreement and Related Contract Regarding Copper Basin Railway, Inc.

Copper Basin Railway, Inc. owns a Class III short-line freight railroad located in South Central Arizona. The railroad is ASARCO's sole means of transporting work-in-process inventory to and from the Ray mine and the Hayden smelter. On the Petition Date, ASARCO owned 45% of the outstanding capital stock (1,800 shares) of Copper Basin Railway, Inc., with the remaining 55% of the stock (2,200 shares) owned by Rail Partners II, LLC f/k/a Rail Partners, LP ("Rail Partners").

The stockholders agreement dated April 10, 1986, among Copper Basin Railway, Inc. and the predecessors in interest to Rail Partners and ASARCO, provided a "put" right in favor of Rail Partners, pursuant to which Rail Partners could require ASARCO to buy all of Rail Partners' capital stock in Copper Basin Railway, Inc. for the fair market value of such shares (with such fair market value determined by agreement or, if no agreement could be reached, by third party independent appraiser). The stockholders agreement also provided "call" rights in favor of ASARCO, pursuant to which ASARCO could require Rail Partners to sell it either (1) the 45% of Rail Partners' capital stock formerly held by Green Bay, (2) the 10% of Rail Partners' capital stock formerly held by Durden, or (3) both, either at the same or different times, for the fair market value of such stock, determined in the same manner as described above for the put right.

By motion filed on August 29, 2006, as amended on September 8, 2006, ASARCO sought to assume the stockholders agreement and a related contract for the sale of the shares owned by Rail Partners, cure all defaults and to purchase Rail Partners' 55% equity interest in Copper Basin Railway, Inc., thereby obtaining control and sole ownership of this critical transportation asset. ASARCO was forced to take action at that time, rather than addressing the option rights at Confirmation, because Washington Corporation sought to control the railroad by acquiring Rail Partners. Objections to the motion were filed by the ASARCO Committee, the Asbestos Subsidiary Committee, and Rail Partners. The Bankruptcy Court entered an order approving the motion on September 12, 2006, whereby ASARCO was authorized to assume the stockholders agreement and the sale contract, effective as of the date on which the original motion was filed, and to purchase Rail Partners' 55% interest in Copper Basin Railway, Inc. for an agreed-upon total purchase price of $11,455,000.

2.11 Asset Sales.

(a) Completed Real Property Sales.

The Debtors have obtained Bankruptcy Court orders authorizing them to sell certain real property. The more significant sales are listed below.

Property	Buyer	Proceeds and Other Consideration Realized by the Estate
Coal rights in Sebastian County, Arkansas, owned by ASARCO	Hartshorne Carbon Company	$500,000 Cash and a royalty to be paid over 35 years
Tacoma, Washington, owned by ASARCO	MC Construction Consultants, Inc.	$4.7 million Cash and assumption of certain (primarily environmental) liabilities by buyer. ASARCO may also realize additional proceeds of up to $5 million, pursuant to Development Payout Agreement
Hardshell Mine Property in Santa Cruz, Arizona, owned by ASARCO	Arizona Minerals, Inc.	$4,000,000 cash and $4,500,000 to be paid pursuant to a promissory note secured by a Lien on the property
Tennessee Mines Division, owned by ASARCO	Glencore Ltd.	$63,551,286

Property	Buyer	Proceeds and Other Consideration Realized by the Estate
Approximately 125.957 acres of vacant real property in El Paso, Texas, owned by ASARCO	MEGACON, LLC	$4,180,263
Salt Lake City real property owned by ASARCO	Olene S. Walker Housing Loan Fund	$1,732,440

(b) Proposed Real Property Sales.

Property	Stalking Horse	Proposed Sales Price	Status
Globe, Colorado facility owned by ASARCO	Globeville I, LLC	Assume certain (primarily environmental) liabilities and provide other consideration.	Bidding procedures order entered on November 7, 2006; buyer is conducting due diligence.

As discussed in Section 5.3 below, if the Globe, Colorado property has not been sold prior to the Effective Date, this property and ASARCO's obligations as seller under the sales contract shall be transferred to the Environmental Custodial Trust. Any proceeds from the sale of the Globe property shall be paid to the Debtors or Reorganized ASARCO and distributed in accordance with the Plan, but the Environmental Custodial Trust Funding set aside for this property shall be reallocated to other Environmental Custodial Trusts as directed by the United States.

(c) Stock Sales.

On September 11, 2006, ASARCO sought authority to sell stock in certain publicly-traded companies which, pursuant to a separate Bankruptcy Court order, was filed under seal to avoid any detrimental impact on the stock market that might result from ASARCO's sale of such stock. The sale motion was approved by order entered on September 19, 2006, and permitted ASARCO to sell the stock free and clear of Liens, Claims, encumbrances and interests and to open a brokerage account for that purpose.

On April 3, 2008, ASARCO filed a motion seeking authority to sell certain stock free and clear of Liens, Claims, encumbrances and interests, which was approved on April 28, 2008. ASARCO is authorized, but not obligated, to sell (1) 388,002 shares of Metlife Company stock; (2) 16,800 shares of Nymex Holdings Inc. stock; (3) 134 shares of Freeport McMoRan Copper & Gold Inc. stock; and (4) 2,956 shares of stock in various agricultural cooperatives, including 1,404 shares of Ag-Land FS, 840 shares of Gateway Co-op and 712 shares of Riverland FS. While the stock is unencumbered, ASARCO obtained approval, out of an abundance of caution, to sell it free and clear of any Liens, Claims, encumbrances or interests, pursuant to section 363(f) of the Bankruptcy Code. Any such Liens or other encumbrances would attach to the proceeds of the sale of the assets, subject to the rights and defenses of ASARCO, if any, with respect thereto.

ASARCO has been engaged in the process of selling the stock on the open market.

(d) *De Minimis* Sales of Personal Property.

By agreed order entered on March 28, 2006, the Debtors obtained authority to sell *de minimis* personal property (with a value of less than $100,000) in the ordinary course of business, without need for Bankruptcy Court approval upon ten business days' notice to the parties on a notice list. They have used this procedure a number of times to sell *de minimis* personal property.

2.12 Purchases.

Pursuant to the order entered on December 30, 2005, ASARCO was authorized to assume an agreement with Pitney Bowes Credit Corporation for the lease of five haul trucks and a shovel, cure prepetition defaults, and exercise

the option to purchase three of the haul trucks and the shovel. Pursuant to an order entered on December 4, 2006, ASARCO was authorized to exercise its option to purchase the two haul trucks remaining under this lease agreement.

Pursuant to agreed orders entered on January 19, 2006, June 30, 2006, September 18, 2006, and November 27, 2006, ASARCO was authorized to assume several equipment leases with Banc of America Leasing & Capital, LLC relating to certain mining and other equipment, cure the defaults, and exercise the options to purchase the equipment.

Pursuant to an agreed order entered on January 6, 2006, ASARCO was authorized to assume an equipment lease with M&T Credit Services, LLC relating to an electric mining shovel, cure the defaults, and exercise its option to purchase the shovel.

By order entered on March 28, 2006, ASARCO obtained authority to purchase from Liebherr Mining & Construction Equipment, Inc. d/b/a Liebherr Mining Equipment Co. nine haul trucks to be delivered in 2007 and 2008, with an option to buy 12 additional trucks in 2009, 2010, and 2011, for an approximate purchase price of $3.5 million per truck, subject to an agreed-upon price escalation and other terms and conditions set forth in the purchase agreements and related documents.

Pursuant to an agreed order entered on September 15, 2006, ASARCO was authorized to assume an equipment lease with Wachovia Financial Services, Inc. relating to two haulpak trucks, a fork lift, five 100 ton railroad ore cars, and other equipment, and purchase the leased equipment for $1,250,000.

Pursuant to an order entered on April 2, 2007, ASARCO was authorized to replace the primary crusher at the Ray Mine by installing a new crusher in a different location and decommissioning the existing crusher at the earliest date possible. ASARCO estimates that this project will cost a total of $44.8 million, the bulk of which is to pay for the crusher, conveyor and support wall. However, this work should cure slope degradation issues, and may increase ASARCO's cash flow by approximately $74.4 million over the life of the project on an undiscounted basis.

By order entered on July 11, 2007, ASARCO was authorized to purchase mining equipment consisting of three 830E haul trucks and a 2800XPB shovel from Pitney Bowes for an aggregate purchase price of $4,180,000. The equipment had previously been leased to ASARCO.

By agreed order entered on March 25, 2008, ASARCO was authorized to assume an equipment lease and related agreements with BNY Capital Resources Corporation, whereby ASARCO leases five haul trucks and various mining equipment, cure defaults, and exercise the option to purchase the equipment under the agreement.

In each instance, the purchased assets are indispensable to ASARCO's successful operation of its mines and contribute to increased production and therefore revenue.

2.13 Proofs of Claim and Administrative Claims.

(a) Bar Dates for Proofs of Claim.

By order entered on April 28, 2006, the Bankruptcy Court set August 1, 2006 as the general bar date, and September 30, 2006 as the asbestos claims bar date, for the Debtors other than the 2006 Subsidiary Debtors and the 2008 Subsidiary Debtors. An asbestos-related Proof of Claim form was approved for use in connection with all Proofs of Claim for asbestos claims. Pursuant to the Bar Date Order, asbestos claimants were permitted to obtain an exemption from filing a Proof of Claim by supplying ASARCO's asbestos claims-data management consultants, Claro Group, with certain information on the asbestos claims electronic database prior to June 30, 2006.

The Bar Date for filing Claims against the 2006 Subsidiary Debtors was May 21, 2007 for non-governmental creditors, and June 25, 2007 for governmental creditors.

The Bar Date for filing Claims against the 2008 Subsidiary Debtors has not yet been set.

Claims which were not filed by the applicable Bar Date (except as specifically otherwise provided by order the Bankruptcy Court) are forever barred and discharged.

(b) Objections to Claims.

More than 100,000 general and asbestos-related Claims have been filed in the Reorganization Cases. In conjunction with their ongoing review and reconciliation of the Proofs of Claim, the Debtors determined that many of the Proofs of Claim may be targeted for disallowance and expungement, reduction and allowance, or reclassification pursuant to objections that are similar in nature as to one or more proofs of claim. Pursuant to order entered on November 5, 2007, the Debtors were authorized to pursue omnibus objections to proofs of claim, in accordance with the procedure set forth in the Debtors' October 10, 2007 motion.

Since that time, the Debtors have filed a number of omnibus claim objections seeking the disallowance of certain Proofs of Claim on various grounds.

(c) Administrative Claims Bar Date.

On July 16, 2008, the Debtors filed a motion seeking entry of an order establishing September 19, 2008 (the "Initial Administrative Claims Bar Date") as the last day for Entities that assert Administrative Claims against the Debtors to file a proof of Administrative Claim form. The motion was granted by order entered on July 30, 2008. The following types of Claims are excluded, and are not subject to the Initial Administrative Claims Bar Date:

- Administrative Claims of one Debtor against another Debtor;
- Administrative Claims of professional persons retained pursuant to an order of the Bankruptcy Court for compensation of fees and reimbursement of expenses and any administrative claims by professionals for the United Steelworkers; *i.e.*, "Professional Fee Claims";
- Administrative Claims of the members of the Committees and counsel to such members for compensation of fees and reimbursement of expenses; *i.e.*, "Committee Member Claims";
- Administrative Claims for post-bankruptcy goods or services due and payable in the ordinary course of the Debtors' business; *i.e.*, "Ordinary Course of Business Claims";
- Administrative Claims of current or former employees, or labor unions representing such individuals or benefit plans to whom contributions or premiums are made under a collective bargaining agreement or Coal Industry Retiree Benefit Act of 1992, for post-bankruptcy wages, compensation, expenses, grievances, medical benefits, retirement benefits or any other post-bankruptcy benefits under an employee benefit plan of a Debtor or court-approved post-bankruptcy retention, severance or recruiting plan, including but not limited to any amounts authorized to be paid by the Debtors under the order authorizing payment of prepetition wages and benefits, *i.e.*, "Post-Bankruptcy Employee Wage and Benefit Claims";
- Administrative Claims previously allowed by order(s) of the Bankruptcy Court;
- Administrative Claims on account of which a motion requesting allowance and payment already has been filed in the Bankruptcy Court, against the Debtor(s);
- Administrative Claims held by the U.S. Trustee which arise under section 1930(a)(6) of title 28 of the United States Code;
- Administrative Claims of professionals and their counsel, including the Examiner, and Administrative Claims of current officers and directors of a Debtor and their counsel;
- Administrative Claims relating to claims of federal and state governmental agencies under state or federal environmental laws that relate to property owned by the Debtors;
- Administrative Claims for payments required under settlement agreements approved by the Bankruptcy Court; and

- Administrative Claims relating to liabilities that the Plan Sponsor will assume under the Plan Sponsor PSA.

Holders of Administrative Claims that are required, but fail, to file a proof of Administrative Claim prior to the Initial Administrative Claims Bar Date shall be barred, estopped and enjoined from asserting such Claims against the Debtors and their Estates, and will not be entitled to receive further notices regarding such Administrative Claims.

2.14 Schedules and Statements of Financial Affairs.

The Debtors have filed their schedules and statements of financial affairs required under section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, and have subsequently filed certain amendments thereto. Copies of the Debtors' original and amended schedules and statements may be viewed online any time through the Bankruptcy Court's PACER System at *www.ecf.txsb.uscourts.gov* or at the Debtors' restructuring website *www.asarcoreorg.com*.

2.15 Financial.

(a) DIP Financing.

ASARCO obtained the approval of the Bankruptcy Court for a debtor-in-possession credit facility (the "DIP Facility") provided by The CIT Group/Business Credit, Inc. (the "DIP Agent") to enable ASARCO to have additional liquidity during the pendency of the Reorganization Cases. Under the DIP Facility, the DIP Agent made a revolving line of credit available to ASARCO for working capital, capital expenditures, general corporate purposes, and costs of administration. Under the DIP Facility, the revolving line of credit was in the maximum amount of $75 million, inclusive of an amount equal to $50 million for letters of credit, which revolving line of credit was subject to being increased to an amount not to exceed $150 million at ASARCO's option, subject to appraisals and availability. The initial borrowing base was subject to a minimum availability reserve of $10 million at all times. The utilized portion of the DIP Facility would bear interest at rate of either the prime rate plus 1.00% or LIBOR plus 2.50%, at the DIP Agent's option.

All amounts owing by ASARCO under the DIP Facility were secured by superpriority blanket liens (the "DIP Liens") pursuant to section 364(c)(2), (c)(3) and (d)(1) of the Bankruptcy Code on ASARCO's real and personal property, subject to prior Liens and a carve-out in a maximum amount of $5 million for (1) professional fees and expenses, (2) fees pursuant to 28 U.S.C. § 1930, and (3) out-of-pocket expenses of the members of the ASARCO Committee. Such amounts were also subject to a superpriority claim pursuant to section 364(c)(1) of the Bankruptcy Code over all other Claims against ASARCO, other than Claims seeking payment out of the carve-out or from the collateral excluded from the DIP Liens.

Because of improved cash flow resulting from high copper prices, ASARCO did not utilize the DIP Facility. Prior to its expiration, ASARCO elected not to pursue renewal of the DIP Facility, and it expired on its own terms on or about December 15, 2007.

(b) Letter of Credit Facility.

To replace the letter of credit sub-facility under the DIP Facility, ASARCO negotiated the terms of a $5 million senior secured twelve month credit facility for the issuance of letters of credit (the "Credit Facility") with JPMorgan Chase Bank, N.A. ("Chase"), and sought approval of the Credit Facility by motion filed on March 31, 2008. The Credit Facility was needed because, in the ordinary course of business, ASARCO is required to post letters of credit from time to time. The terms and conditions of the Credit Facility are set forth in the motion. The request was approved by order entered on April 25, 2008, which was supplemented by a Stipulation and Order entered on July 7, 2008.

(c) Cash Collateral.

With the exception of the DIP Lender, Mitsui & Co. (U.S.A.), Inc. is the only party that asserts a Lien on personal property of ASARCO that may be sold and converted to cash in the ordinary course of business. Mitsui asserts a Lien only on silver inventory and the proceeds thereof. Pursuant to the Agreed Final Order Authorizing Use of Cash Collateral in Limited Circumstances, ASARCO agreed to continue to maintain the proceeds of Mitsui's alleged collateral in trust for the benefit of Mitsui in a separate segregated bank account. ASARCO may request the use of Mitsui's alleged cash collateral subject to the provision of 5 days' notice, an approved budget, and adequate protection to Mitsui. If ASARCO uses

Mitsui's alleged cash collateral and the Bankruptcy Court finds that Mitsui's interests are not adequately protected, Mitsui is entitled to a super-priority administrative expense claim under sections 503(b) and 507(a)(1) and (b) of the Bankruptcy Code.

(d) Hedging Program.

By order entered on May 9, 2006, ASARCO received authority to implement a strategic hedging program, designed to protect its liquidity in a declining market price environment. While copper prices are currently high, there is no guarantee that they will remain high for the duration of the Reorganization Cases. By hedging a portion of production through the end of 2007 and 2008, ASARCO could protect copper-selling prices for a portion of its production – above production cost – and thereby be in a position to reorganize in a significantly more stable revenue environment. Under the hedging order, ASARCO's board of directors was authorized to establish a hedging committee to recommend and execute specific trades to implement the hedging program in accordance with the parameters and procedures established by the board of directors, upon notice to certain specified parties. The order further authorized ASARCO to use up to $30 million in the implementation of the hedging program, which sum was subsequently increased by an additional $10 million following notice to the specified parties. All contracts under the hedging program originally were required to settle on or before December 31, 2007, but this time period was subsequently extended through December 31, 2008.

2.16 Labor Unions and Employee-Related Matters.

(a) Settlement with the Unions Regarding the Collective Bargaining Agreements.

As discussed in Section 1.3(c) above, a contributing factor to ASARCO's bankruptcy filing was the strike of a large portion of its workforce that began in early July 2005. After many weeks of negotiations, ASARCO and the Unions representing ASARCO employees were able to enter into a Memorandum of Understanding (the "Interim Agreement") in November 2005, pursuant to which the striking workers returned to work commencing in December 2005.

The collective bargaining agreement covering the Ray Mine workers expired on June 30, 2005, and the employees at the smelter and the other mines had been working without an agreement for over a year. The settlement between ASARCO and the Unions extended those collective bargaining agreements, with certain amendments, until December 31, 2006. As part of the settlement, ASARCO agreed to continue making contributions to the company's pension plans, and continue paying disability benefits to employees. ASARCO also agreed not to seek temporary or permanent relief from the collective bargaining agreements or the retiree benefits under sections 1113 or 1114 of the Bankruptcy Code during this time period.

The Interim Agreement included a successorship clause, pursuant to which ASARCO agreed not to consummate a change-of-control transaction unless certain conditions had been satisfied, and the Unions agreed to negotiate in good faith for collective bargaining agreements with any prospective buyer.

The Unions had filed charges against ASARCO with the National Labor Relations Board, accusing it of failing to bargain in good faith. Pursuant to the settlement, these complaints were withdrawn.

(b) Approval of New Collective Bargaining Agreement with Unions.

For the following year, the parties honored and continued to operate pursuant to the terms of the Interim Agreement. In August 2006, the parties resumed labor negotiations. On December 21, 2006, after months of arduous negotiations, ASARCO reached an understanding (the "Understanding") with the USW, on behalf of itself and the Unions, on the key terms of the new collective bargaining agreement (the "CBA") that would replace the existing agreements. The parties continued negotiating until they reached a final agreement on the terms of the CBA, as set forth in a letter of understanding dated January 22, 2007.

The CBA includes phased-in wage increases for ASARCO's hourly workers, and provides for one-time signing bonuses and other bonuses tied to copper prices. A "work assignment flexibility" provision allows ASARCO to adapt its workforce to meet changing needs by, for example, assigning a certain percentage of employees across departments and sharing maintenance crews across plants. Under the special successorship provision, ASARCO agreed not to consummate any plan of reorganization or engage in any other change-of-control transaction unless the prospective buyer (1) recognizes the USW as the bargaining representative for ASARCO workers and (2) makes an agreement with the USW establishing the terms of employment to be effective following the change of control. In connection with this provision, the USW is obligated to bargain in good faith with any prospective buyer and to offer reasonable terms and conditions. The

Bankruptcy Court has the power to terminate the special successorship provision entirely if the USW breaches its obligation or if the court determines that termination is necessary to the chapter 11 process.

ASARCO and the USW also entered into the Second Stipulation and Order Regarding Modification to Collective Bargaining Agreement, which clarifies the CBA and provides that: (1) as long as the Parent does not exercise control of ASARCO during the Reorganization Cases, the Parent is not a party or signatory to the CBA and is not bound by any of the CBA's terms; (2) the special successorship clause applies to a plan of reorganization where the Parent retains a majority of equity or controlling equity in the reorganized debtors (a "Parent Retained Equity Plan"), and if pursuant to that clause the Bankruptcy Court determines that (A) the USW has failed to satisfy its obligations under the special successorship clause or (B) in light of exigent circumstances it is necessary to a successful chapter 11 process, the Bankruptcy Court may order that the special successorship clause does not apply; and (3) the Bankruptcy Court retains jurisdiction to determine at a confirmation hearing on any Parent Retained Equity Plan whether any provision of the CBA would violate the Parent's rights under section 1129(a) or (b) of the Bankruptcy Code and, if the court so finds, the Bankruptcy Court has the authority to terminate the CBA.

The Bankruptcy Court approved the CBA and the Second Stipulation on March 15, 2007. The Parent, which had objected to the CBA, filed a notice of appeal from the order, thereby initiating Civil Action No. 07-133 in the District Court. Briefing and oral argument has already occurred, but the District Court has not yet ruled on the appeal.

(c) Settlement of Retiree Litigation.

On July 9, 2003, ASARCO, Silver Bell Mining, L.L.C. and Encycle/Texas, Inc. filed an action against the USW and others in federal court in Arizona seeking a declaration that changes to retiree medical benefits made earlier that year were legal under the Labor Management Relations Act and under the Employee Retirement Income Security Act of 1974 ("ERISA"). On September 8, 2003, the defendants filed an answer and counterclaimed against ASARCO.

On September 19, 2005, ASARCO initiated Adversary Proceeding No. 05-02078, seeking a declaration that the prosecution of claims against ASARCO and Encycle/Texas violated the automatic stay and requesting an injunction prohibiting prosecution of such claims during the pendency of the Reorganization Cases. On November 14, 2005, ASARCO obtained an order staying the Arizona litigation pursuant to a stipulation by the parties.

As part of the CBA negotiations, ASARCO, the Unions and the individual members of the class of retirees reached a final agreement on the resolution of the Arizona litigation, which addresses all the claims among the parties regarding retiree medical benefits. The Bankruptcy Court approved the settlement agreement by order entered on March 15, 2007.

(d) Approval of a Salary, Incentive and Employee Retention and Recruiting Plan.

In order to help ASARCO retain valued employees and recruit to fill critical vacancies, ASARCO obtained approval in April 2006 of a retention and recruitment plan applicable to employees in Grade 3 and below. The program has three components: (1) a competitive salary component, (2) an employee retention bonus component and (3) a variable incentive component. In addition to these components, approximately $1 million is available to be applied at the discretion of the board of directors for salary, retention and incentive payments.

The 2006 retention and recruitment plan helped stem the tide of departing personnel for a period of time, but did not keep pace with the impact of the record high copper price environment on the local labor markets in which ASARCO competes. Consequently, ASARCO continued to suffer vacancies across its operating, planning, engineering and corporate departments, leaving it with inadequate personnel to address key needs and unable to fill such vacancies because of its below-market compensation structure.

By motion filed on May 11, 2007, ASARCO proposed to revise and update its retention and recruitment plan by (1) setting a target salary range consistent with comparable salaries paid in the market, (2) increasing the incentive bonus payment scale for specific grades and shifting the allocation on target bonuses across company and operating unit criteria; (3) granting the board of directors discretion to increase or decrease incentive bonuses on a discretionary basis up to 105 percent; and (4) carrying forward the unused discretionary bonus pool approved by the Bankruptcy Court from the 2006 plan and increasing it by $900,000 for 2007 to allow for additional salary, incentive, retention and other adjustments recommended by management and approved by the board in its discretion. The motion was approved by order entered on June 4, 2007.

By motion filed on August 8, 2007, ASARCO sought authority to implement a severance plan as part of its 2007 assessment and update of ASARCO's overall compensation program. The severance program provides specific protection for eligible employees against a termination or reduction in job quality. The motion was approved by order entered on August 31, 2007.

The market for qualified employees with the experience required for ASARCO's operations remains extremely competitive and, despite the implementation of these programs, ASARCO continues to be challenged in its efforts to adequately staff its operations.

(e) Extension of Collective Bargaining Agreement for Globe Plant.

The collective bargaining agreement covering four employees working at ASARCO's plant in Globe, Colorado expired on May 31, 2006. ASARCO and the United Steelworkers of America, Local 8031-07 agreed to extend the existing agreement for an additional year. This extension expired on May 31, 2007. This extension ensured that ASARCO had the necessary work force to comply with its remediation obligations at the Globe plant. The Bankruptcy Court approved the extension of the agreement by order entered on August 21, 2006, and also authorized ASARCO to honor employee benefit obligations under the agreement.

(f) Assumption of Certain Workers' Compensation Insurance Agreements.

By motion filed on March 22, 2007, ASARCO asked the Bankruptcy Court to authorize it to assume certain of its existing workers' compensation insurance agreements with American International Group, Inc. ("AIG") and to approve its entry into a renewal insurance program with AIG. ASARCO's insurance broker, Willis of Arizona, Inc., solicited bids for insurance coverage in 2007, and a proposal from AIG was determined to be the most competitive. As a condition to obtaining new policies, ASARCO had to pay approximately $155,000 to cure obligations relating to workers' compensation coverage in 2004. The Bankruptcy Court approved ASARCO's request by order entered on April 16, 2007.

(g) Settlement of Certain Workers' Compensation Claims.

On June 6, 2008, ASARCO filed a motion seeking approval of its proposed settlement with certain former employees who had asserted workers' compensation claims with an alleged aggregate value of $6.8 million. They claimed that their hearing was impaired as a result of working in zinc mines formerly owned and operated by ASARCO's former Tennessee Mines Division in eastern Tennessee. Pursuant to the settlement, each Claimant will receive an agreed-upon payment in an amount set forth on an exhibit to the motion, with the Allowed Claims totaling approximately $4.5 million. ASARCO also sought, pursuant to section 362(d)(1) of the Bankruptcy Code, a limited modification of the automatic stay to allow any settling Claimants who so choose to seek approval of the settlement in the Tennessee state court where the hearing loss claims were originally filed or could have been filed, or the Tennessee Department of Labor.

(h) Payment of Union Professional Fees and Expenses.

In the summer and fall of 2006, ASARCO and the USW were in negotiations regarding the collective bargaining agreements, which were set to expire at the end of 2006. In order to adequately represent the interests of ASARCO's bargaining unit employees and retirees in such negotiations, the USW needed assistance from qualified professionals to address the legal and financial issues. By order entered on August 21, 2006, the Bankruptcy Court authorized ASARCO to pay up to $500,000 of the USW's professional fees and expenses, provided the professionals submit to a fee statement review process and file fee applications approximately every 4 months.

By motion filed on August 23, 2007, ASARCO sought to increase the aggregate cap on the USW's professional fees that ASARCO is authorized to pay from $500,000 to $1.5 million. The Parent objected to the request. The Bankruptcy Court conducted hearings on the motion on November 1, 2007 and February 8, 2008, and then took the matter under advisement.

(i) Canadian Pension Plan Funding Obligations.

(1) ASARCO.

By motion filed on January 4, 2008, ASARCO sought authority to cure the underfunding of the salaried pension plan for ASARCO Exploration Company of Canada Limited, Federated Metals Canada Limited and Enthone-OMI (Canada) Inc. (the "Canadian Plan") and to complete the wind-up and termination of the Canadian Plan.

As part of the process of closing these companies' Canadian operations in 1999 through 2002, the Canadian Plan began the wind-up process. At the time, the Canadian Plan was underfunded. ASARCO's predecessor agreed in January 2003 to cure the underfunding in installment payments over five years; however, no installment payments were made and, for years, the required annual wind-up reports were not filed. ASARCO has become current through the 2005 wind-up report and obtained an extension for filing the 2006 wind-up report.

By order entered on January 29, 2008, the Bankruptcy Court authorized ASARCO to pay, within its discretion, any amounts owed to the Canadian Plan and related expenses as ultimately negotiated by the parties and subject to variables such as the annuities return rate and interest rates at the time of calculation, and otherwise complete the wind-up (or termination) of the Canadian Plan.

(2) LAQ.

LAQ sold its rights under a Joint Venture Agreement with United Asbestos Corp. Ltd. concerning operation of an asbestos mining concession and other assets at Black Lake in the Province of Québec to its subsidiary Lac d'Amiante du Canada Ltée ("LAC") on June 18, 1986 by the Memorandum of Agreement of the same date. LAC remained a wholly-owned subsidiary of LAQ. On that same day, a limited partnership agreement was signed among LAC, Camchib, Bell Asbestos Mines Ltd. and Asbestos Corporation Limited as limited partners, and LAB Chrysotile Inc. ("LAB") as general partner, to carry on the business of the mine.

Also on June 18, 1986, the parties to the limited partnership agreement entered into the Actuarial Basis for Transfer (the "ABT"), which set forth their agreement regarding establishing pension plans for the limited partnership's employees. Under the agreement, LAB agreed to set up pension plans to cover employees of the limited partnership and the partners agreed to transfer certain assets from their plans to LAB's plans, and in the case of LAC, from LAQ's plans. Canadian regulations interfered with the planned transfer of pension assets.

LAQ subsequently sold its ownership interest in LAC to 2733-2915 Québec, Inc. As part of the sale, the parties stipulated that the assets of the LAQ Retirement Benefit Plan for Salaried Employees and the LAQ Retirement Income Plan for Hourly Rated Employees would be transferred to LAQ prior to closing, subject to the obligations contained in the ABT. In a separate agreement between LAC and LAQ prior to closing, LAQ agreed to "assume and indemnify and hold harmless [LAC] in respect of all such obligations to the extent of the amount of such assets lawfully received and entitled to be retained by [LAQ]."

LAB filed Proof of Claim no. 18184 on March 23, 2007, seeking $703,894.63 (CA$822,360.10) for the payment of retirement benefits to former LAQ employees. Because the only obligation LAQ has under its agreement with LAC is limited to "the extent of the amount of such assets lawfully received and entitled to be retained by [LAQ]," LAQ disputed this Claim and does not believe it has continuing pension obligations.

(j) Payment of Employee Benefit Obligations.

ASARCO has, over the course of the Reorganization Cases, received authority from the Bankruptcy Court to make quarterly pension plan payments for salaried and hourly employees, make disability payments to current and former employees, cure deficiencies in its retirement plans, and cure other compliance issues relating to certain benefit plans, and has made such payments in accordance with applicable law.

2.17 Insurance.

(a) Insurance Coverage Litigation.

In 2001, ASARCO, LAQ and CAPCO filed a petition in the 94th District Court of Nueces County, Texas, initiating Cause No. 01-02680-C against certain insurance companies, seeking a declaration that the insurance companies were obligated to defend and indemnify them against asbestos Claims pending in various lawsuits filed across the country. The lawsuit is currently pending in the 105th District Court of Nueces County, Texas as Cause No. 01-02680-D. The only remaining defendants in the lawsuit are Fireman's Fund Insurance Company ("FFIC") and certain London market insurers ("LMI"). In the action, ASARCO is seeking reimbursement of prepetition indemnification and defense costs, a declaration as to the coverage obligations under insurance policies sold to ASARCO by the insurance companies, and damages under statute and common law on a variety of extracontractual grounds, including bad faith and improper claims handling. The insurance policies sold to ASARCO by these insurance companies are included on the list of insurance policies attached to the Plan as **Exhibit 8**.

FFIC had removed the lawsuit from state court to the District Court, after the April 2005 bankruptcy filings of LAQ and CAPCO, thereby creating Civil Action No. 05-00323. The District Court referred the lawsuit to the Bankruptcy Court, thereby initiating Adversary Proceeding No. 05-02053. The debtors filed a motion to remand the lawsuit to Nueces County, and FFIC filed a motion for withdrawal of the reference of the lawsuit. On January 25, 2006, the Bankruptcy Court remanded the lawsuit to Nueces County, and issued an interim report suggesting that the withdrawal of reference motion was moot. FFIC filed notices of appeal from both of these rulings, thereby initiating Civil Action Nos. 06-00064 (the appeal from the interim report) and 06-00065 (the appeal from the remand order). In orders entered in both appeals on March 7, 2007, the District Court affirmed the Bankruptcy Court's order remanding the lawsuit to state court.

While the lawsuit seeks coverage for both products claims and premises claims, ASARCO entered into prepetition settlement agreements with American Home Assurance Company and Century Indemnity Company, as successor to, *inter alia*, Insurance Company of North America and California Union Insurance Company, regarding premises claims. All matters relating to these settlement agreements are confidential, but for the fact that settlement has been reached. Thus, while additional policies remain available as a source of insurance coverage, ASARCO is precluded from identifying them on the list of insurance policies that is attached to the Plan as **Exhibit 8**.

ASARCO also entered into prepetition settlement agreements with a number of insurance companies that were originally named as defendants in the lawsuit, but were dismissed as a result of those settlements. A number of those settlements are the subject of fraudulent conveyance actions that were timely filed but have not been served, in accordance with a Bankruptcy Court order staying service until a specified number of days following the Effective Date. *See* Article 2.24(i), (j) and (l)(3) below. The insurance policies that are subject to these fraudulent conveyance actions, and from which insurance recovery is being sought through such actions, are referenced on the list of insurance policies that is attached to the plan as **Exhibit 8**.

(b) Post-Petition Settlements with Certain London Market Insurers.

On July 26, 2006, ASARCO filed a motion seeking approval of its settlement with certain participating LMI (the "Participating LMI") of the insurance coverage litigation discussed in Section 2.17(a) above. The settlement generated $18,943,000.36 for the Debtors' Estates (or nearly 80% of the limits of the policies being settled with respect to the settling carriers). The Bankruptcy Court approved the settlement by order entered on September 14, 2006.

On February 28, 2007, ASARCO filed a motion seeking approval of its settlement agreement with another one of the LMI, Sovereign Marine and General Insurance Company Limited ("Sovereign"), which in effect allowed Sovereign to become a party to the earlier settlement agreement with the Participating LMI and resulted in ASARCO's recovery of approximately $1 million thus far. The Bankruptcy Court approved the settlement by order entered on March 23, 2007.

(c) Escrow of Certain Insurance Proceeds.

The Asbestos Subsidiary Debtors, ASARCO, the Asbestos Subsidiary Committee, and the FCR entered in an escrow agreement regarding insurance proceeds that were recovered as the result of an Asbestos Insurance Settlement Agreement. The escrow agreement was set forth in a July 8, 2005 Stipulation and Order Regarding Certain Insurance Proceeds, which was approved by the Bankruptcy Court on that date and issued as an order. Due to the payment of the

Asbestos Subsidiary Debtors' reorganization fees, costs and expenses, the amount remaining in the escrow account is *de minimis*.

(d) Efforts to Recover from Certain LMIs Not Subject to Suit.

In addition to pursuing insurance recovery through the Nueces County lawsuit discussed in Section 2.17(a) above and the avoidance actions discussed in Sections 2.24(i) and (j) below, ASARCO is seeking recovery outside of standard litigation from certain LMIs that are either insolvent, in liquidation, or subject to a protective order that prohibits pursuit of a traditional lawsuit against them but against whom a claim may be filed through other means. ASARCO is pursuing recovery through the procedures that are required for each such LMI. The insurance policies sold to ASARCO by these insurance companies are identified on the list of insurance policies that is attached to the Plan as **Exhibit 8**.

2.18 Tax Issues.

(a) The Tax Refund.

As a result of the carryback of certain losses of ASARCO's predecessor, ASARCO Incorporated, a New Jersey corporation ("ASARCO NJ"), that were incurred prior to Grupo Mexico's acquisition of ASARCO NJ in 1999, ASARCO contends that it is entitled to a tax refund from the IRS for federal income taxes ASARCO NJ paid during 1987, 1988, and 1989. ASARCO has been attempting to collect the tax refund, which is a substantial cash asset of ASARCO's Estate, from the IRS since 2003.

More specifically, ASARCO NJ was the common parent of an affiliated group of corporations consisting of ASARCO NJ and its subsidiaries (the "ASARCO NJ Consolidated Group") that filed consolidated federal income tax returns on a calendar year basis for the taxable years 1987 through 1999. ASARCO NJ paid the federal income taxes reported on the consolidated federal income tax returns filed by the ASARCO NJ Consolidated Group, including those filed for the taxable years 1987 through 1989.

In May 2003, ASARCO NJ filed a claim for refund (the "Refund Claim") with the IRS based on the carryback of specified liability losses under Internal Revenue Code sections 172(b)(1)(C) and (f), from the taxable years: (1) 1994 and 1995 to the taxable year 1987; (2) 1998 to the taxable year 1988; and (3) 1999 to the taxable year 1989.

On January 26, 2006, the IRS issued a Notice of Partial Allowance and Partial Disallowance of the Refund Claim (the "Partial Allowance"). The amounts of the Refund Claim allowed pursuant to the Partial Allowance are $1,750,684 for the taxable year 1987, $21,336,162 for the taxable year 1988, and $17,392,575 for the taxable year 1989. The total overpayment of tax allowed by the Partial Allowance is $40,479,421, and such overpayment, together with statutory interest accrued thereon, is referred to herein as the "Tax Refund." As a result of the merger in 2005 of ASARCO NJ with and into ASARCO, ASARCO succeeded to the ownership of the Refund Claim and the Tax Refund under Delaware contract and statutory law.

On February 5, 2007, ASARCO filed a complaint for declaratory and injunctive relief against the Asbestos Subsidiary Debtors, Rinker Material South Central, Inc. f/k/a American Limestone ("Rinker"), Enthone Inc., EI Liquidation, Inc. and OMI International Corporation (collectively, the "Enthone Defendants"), AMC, and the Parent, thereby initiating Adversary Proceeding No. 07-02011 (the "Tax Adversary Proceeding"). The complaint seeks, *inter alia*, a declaration that the Tax Refund is property of ASARCO's Estate.

On April 11, 2007, the Bankruptcy Court entered a Stipulation and Agreement Regarding the Defense of Tax Refund Complaint on Behalf of the Subsidiary Debtors' Estates, wherein the Asbestos Subsidiary Debtors, each of their respective Estates, the Asbestos Subsidiary Committee and the FCR agreed that the Asbestos Subsidiary Committee and the FCR should take responsibility for the representation of the interests of the Asbestos Subsidiary Debtors in the Tax Adversary Proceeding.

By stipulation and order entered on June 1, 2007, Rinker acknowledged that it had no right or entitlement to the Refund Claim or to any portion of the amounts recovered under the Refund Claim or to the Tax Refund; as a result, claims against Rinker in the Tax Adversary Proceeding were dismissed. In the stipulation, Rinker also designated Covington Land Co. to act as agent for the ASARCO NJ Consolidated Group with respect to the Refund Claim and the Tax Refund.

By stipulation and order entered on January 3, 2008, the Asbestos Subsidiary Debtors designated Covington Land Co. to act as agent for the ASARCO NJ Consolidated Group with respect to the Refund Claim and the Tax Refund; as a result, Count II of the complaint against the Asbestos Subsidiary Debtors was dismissed. By stipulation and order entered on February 25, 2008, ASARCO and CAPCO stipulated that CAPCO is entitled to $51,321 plus a pro rata portion of the statutory interest accrued on the overpayment of tax, less a pro rata portion of any fees payable to Arthur Andersen LLP and/or Deloitte & Touche LLP relating to the Refund Claim or the Tax Refund. The Asbestos Subsidiary Debtors, other than CAPCO, acknowledged that they have no right or entitlement to the Refund Claim or any portion of the Tax Refund. As a result, Count I against the Asbestos Subsidiary Debtors was dismissed.

On December 21, 2007, motions for summary judgment were filed by AMC and the Parent, and by ASARCO. A hearing on the motions was held on January 31, 2008. The Bankruptcy Court requested additional briefing on certain issues raised at the hearing on the motions for summary judgment. On March 31, 2008, ASARCO filed a brief addressing those issues, and AMC and the Parent filed a responsive brief on May 16, 2008. At the January 31, 2008 hearing, the Bankruptcy Court also requested that the parties attempt to agree to an escrow arrangement authorizing payment of the Tax Refund to an escrow agent while reserving all rights of the interested parties. An escrow arrangement to this effect was negotiated and may be implemented if it becomes economically advantageous to transfer the Tax Refund to an escrow agent.

The DOJ filed a Proof of Claim on behalf of the United States of America, asserting a right of setoff pursuant to common law, section 106(c), 506 and/or 553 of the Bankruptcy Code and/or 26 U.S.C § 6402(d) and/or 31 U.S.C. § 3720A against, and to the extent of, the Tax Refund (the "Setoff Claim"). The Setoff Claim is resolved pursuant to the Plan.

(b) Tax Sharing Agreement with and Tax Claims by AMC.

The stock of ASARCO NJ was acquired by Grupo Mexico S.A. de C.V., a Mexican corporation ("Grupo Mexico"), in November 1999. During the year 2000, Grupo Mexico formed, and transferred the stock of ASARCO NJ to, AMC, which transfer terminated the ASARCO NJ Consolidated Group and created a new consolidated group (the "AMC Consolidated Group") having AMC as the common parent and including ASARCO NJ and its subsidiaries (the "ASARCO NJ Subgroup"). On January 14, 2004, ASARCO NJ entered into a tax sharing agreement ("TSA") with AMC, which provided that ASARCO NJ would pay to AMC an amount equal to the federal income tax liability attributable to the taxable income of the ASARCO NJ Subgroup that would have been paid if the ASARCO NJ Subgroup had filed a separate consolidated federal income tax return, giving effect to any net operating or capital loss carryovers incurred by the ASARCO NJ Subgroup not previously utilized by the ASARCO NJ Subgroup in computing its liability under the TSA. The TSA was effective for taxable years ending on or after December 31, 2003. On February 17, 2005, the TSA was amended (the "Amendment") in anticipation of the merger of ASARCO NJ into ASARCO. The Amendment provides that the TSA shall apply to the ASARCO Subgroup in substantially the same manner as it did with respect to the ASARCO NJ Subgroup, except as modified by the Amendment.

At the time that both the TSA and the Amendment were entered into, the Refund Claim had not been not allowed. The Amendment provides that in the event that any tax refund claimed by ASARCO NJ prior to the date of the Amendment should be received by AMC, Parent, or one of their subsidiaries (the "AMC Subgroup"), such tax refund must promptly be turned over to ASARCO without set-off other than for "professional fees that are directly related to preparing, pursuing or other services provided in connection with the claim for refund." ASARCO has not determined whether to accept or reject the TSA and Amendment.

At the January 31, 2008 summary judgment hearing, counsel for AMC and the Parent argued for the first time that ownership of the Tax Refund is affected by the TSA and Amendment, and that summary judgment in ASARCO's favor would circumvent the terms of these agreements. On March 31, 2008, ASARCO filed a brief arguing that the Amendment is consistent with ASARCO's ownership of the Tax Refund under Delaware law and merely provides for the payment of the Tax Refund to ASARCO should the Tax Refund be paid by the IRS to any party other than ASARCO. On May 16, 2008, AMC and the Parent filed a response, asserting that the TSA and Amendment provide that the Tax Refund must be paid to a member of the AMC Subgroup and that AMC should be allowed to set-off against the Tax Refund the amount of the federal income taxes owed by the AMC Consolidated Group for 2007 that are attributable to the ASARCO Subgroup. On July 10, 2008, ASARCO filed a reply to AMC's and Parent's responsive brief.

2.19 Asbestos Litigation

(a) Injunctive Relief Regarding Asbestos Claims.

On April 12, 2005, the Asbestos Subsidiary Debtors filed a complaint initiating Adversary Proceeding No. 05-02030, seeking declaratory and injunctive relief to stay or enjoin the prosecution of asbestos claims against ASARCO (which at that time was not yet in bankruptcy), certain of its non-Debtor subsidiaries, and the then-current officers and directors of ASARCO and the Asbestos Subsidiary Debtors. On April 15, 2005, the Bankruptcy Court entered a temporary restraining order and agreed preliminary injunction, which remains in effect.

On July 26, 2006, ASARCO and the Asbestos Subsidiary Debtors filed a complaint initiating Adversary Proceeding No. 06-02056, seeking declaratory and injunctive relief to stay or enjoin the prosecution and enforcement of asbestos claims against any of the Participating LMI. This request was made in accordance with a provision of ASARCO's settlement agreement with the Participating LMI (discussed in Section 2.17(b) above), which required ASARCO to use its reasonable best efforts to obtain an injunction pursuant to section 105(a) of the Bankruptcy Code in favor of the Participating LMI. On September 14, 2006, the Bankruptcy Court entered a preliminary injunction, which remains in effect.

(b) Estimation of Derivative Asbestos Claims.

Approximately 102,000 Claimants filed asbestos-related Claims or submitted electronic claims data against ASARCO and/or one or more of the Asbestos Subsidiary Debtors.[4] In a number of these claims, and in prepetition lawsuits, ASARCO was alleged to be liable, under various Alter Ego Theories, for the asbestos liabilities of certain of its subsidiaries (the "Derivative Asbestos Claims"). Having never manufactured or sold asbestos or asbestos-containing products, ASARCO denied liability, but this issue had to be decided, and if liability were established, the aggregate amount of these Claims had to be quantified for purposes of formulation and confirmation of a plan of reorganization.

On June 15, 2005, ASARCO filed a complaint initiating Adversary Proceeding No. 05-02048 against the Asbestos Subsidiary Debtors and the FCR, seeking a declaration that it was not liable for the Derivative Asbestos Claims. Pursuant to a stipulation approved on April 25, 2006, the Asbestos Subsidiary Debtors and the FCR were authorized to take the lead role in the prosecution of this action on behalf of the Asbestos Subsidiary Debtors' Estates, and to prosecute all claims, defenses, and/or counterclaims against ASARCO related to the Derivative Asbestos Claims.

In March 2006, ASARCO filed a motion seeking an estimation of the amount of ASARCO's liability, if any, for the Derivative Asbestos Claims, and proposing a procedure for such estimation proceedings. Objections to the estimation motion were filed by the Asbestos Subsidiary Committee, the FCR, and FFIC.

On May 9, 2006, the Asbestos Subsidiary Debtors and the FCR filed their Amended Complaint Realigning Parties and Seeking to Hold ASARCO LLC Liable for Tort Liabilities of the Subsidiary Debtors. In the amended complaint, they sought a judgment declaring that ASARCO is liable for the Asbestos Subsidiary Debtors' asbestos-related liabilities under Alter Ego Theories.

ASARCO was able to reach an agreement with the Asbestos Subsidiary Debtors and the FCR regarding some aspects of the procedure for resolution of the Derivative Asbestos Claims. The settlement agreement provided for a stipulated process in a contested matter under section 502 of the Bankruptcy Code to establish the aggregate amount of ASARCO's liability, if any, for the asbestos-related liability of the Asbestos Subsidiary Debtors. The amount of the Derivative Asbestos Claims, if any, would be incorporated into ASARCO's plan of reorganization, and used for all purposes, including voting, feasibility, best interests of creditors test, fair and equitable test, no unfair discrimination test, distribution, and other plan-confirmation related matters. The Bankruptcy Court entered an order approving the settlement agreement on March 20, 2007. The order included an addendum which resolved concerns raised by FFIC in an objection, and provided for the estimation proceedings to be conducted to provide for "insurance neutrality." By motion filed on November 30, 2007, ASARCO and the Asbestos Subsidiary Debtors sought to extend the insurance neutrality addendum to all insurance companies that are or may become interested parties in the Reorganization Cases, rather than have its benefits and protections afforded only to FFIC. Objections were filed by Century Indemnity Company, American Home Assurance Company and

[4] Many Claimants have asserted Claims against more than one Debtor, resulting in a total asbestos-related Claim count significantly higher than 102,000.

Lexington Insurance Company, and Mt. McKinley Insurance Company and Everest Reinsurance Company. An agreement was eventually reached with all parties other than Mt. McKinley Insurance Company and Everest Reinsurance Company, and an order of the Bankruptcy Court dated May 29, 2008 extends insurance neutrality to all insurance companies other than those two.

On March 5, 2007, the parties submitted their estimates of the maximum aggregate asbestos-related liability of the Asbestos Subsidiary Debtors. The estimates ranged from $180 million to $2.655 billion.

By order dated September 20, 2007, the Bankruptcy Court appointed the Honorable Elizabeth W. Magner, United States Bankruptcy Judge for the Eastern District of Louisiana, to mediate estimation of the Derivative Asbestos Claims. Mediation talks began in October, and continued in November, December and January 2008. The focus of the discussions quickly expanded from the Derivative Asbestos Claims to encompass a consensual plan of reorganization, and Judge Magner began a dialogue among ASARCO and its key constituencies. Because the talks were productive, the parties asked the Bankruptcy Court to postpone the estimating hearing, which was set to begin on January 2, 2008. These discussions ultimately resulted in development of a global resolution of the Debtors' asbestos and environmental liabilities, which became part of a consensual plan of reorganization. The parties also decided on a structure for the sale process during the mediation sessions, as is further discussed in Section 2.27 below.

(c) Parent's Motion to File Under Seal Objections to Asbestos-Related Proofs of Claim.

On March 3, 2008, the Parent sought authority to file under seal its objections under section 502 of the Bankruptcy Code and Bankruptcy Rule 3007 to asbestos-related Proofs of Claim. The motion alleged that the Parent's review of such Proofs of Claim uncovered glaring facial deficiencies throughout the asbestos claim universe which rebut any presumption of validity. The Parent sought authority to file the objections under seal because they will describe certain confidential medical information as well as the claimants' Social Security numbers. This motion was approved by order entered on April 15, 2008. The Parent thereafter filed under seal objections to certain asbestos-related Proofs of Claim.

Responses to the objections were filed by ASARCO, the Asbestos Subsidiary Committee, the FCR and certain Asbestos Personal Injury Claimants represented by Lipsitz & Ponterio, LLC. The Bankruptcy Court conducted a hearing thereon on June 6, 2008, heard arguments from counsel, requested briefing on whether it has jurisdiction to decide challenges to the validity of these Proofs of Claims, and took the matter under advisement.

To date, the Parent has filed objections to 65 asbestos-related Proofs of Claim.

2.20 Estimation of Environmental Claims and Omnibus Objections to Environmental Claims.

ASARCO has, for over 100 years, been engaged in the mining, smelting and refining businesses. As a result of these activities, ASARCO has acquired responsibility for liabilities arising under Environmental Law, at over 100 sites, asserted by the federal government as well as many state governments, Indian tribes and private parties. The United States filed a Claim asserting stated amounts ranging from $3.6 to $4 billion. Sixteen states filed Claims asserting stated amounts from $3.8 to $4 billion. At least two Indian tribes filed Claims asserting approximately $800 million and private parties have filed Claims totaling almost $2 billion. These private party claims are mostly, but not entirely, duplicative of claims filed by state and federal governments. When analyzed to eliminate obvious duplication, these Claims total approximately $6.5 billion in Claims asserted in a determined amount with a significant number of additional Claims asserted in an "undetermined" amount. These environmental Claims would create an unsecured class too ill-defined to achieve confirmation of a plan of reorganization unless the vast majority of them could be resolved either through estimation by the Bankruptcy Court or settlement.

ASARCO filed an estimation motion on January 30, 2007, asking the Bankruptcy Court to estimate the environmental Claims. Numerous objections were filed in response to ASARCO's estimation motion. On March 23, 2007, after extensive negotiations with federal and state governments and potentially responsible parties under Environmental Law ("PRPs"), the Bankruptcy Court entered a case management order ("First CMO") establishing agreed-upon procedures for estimation of ASARCO's environmental Claims at 21 sites (including past and future response and natural resources damage claims, but excluding Toxic Tort, property damages or similar Claims). The asserted liabilities at these sites accounted for approximately $6 billion of the $6.5 billion in environmental Claims asserted in a determined amount along with the most significant environmental Claims asserted in an undetermined amount. The First CMO divided the covered sites into four groups, and set discovery and trial timetables for each group.

As a result of the process initiated by the First CMO, three hearings were held covering portions of three state and/or federal sites where approximately $3 billion in environmental Claims had been asserted. Settlements covering all or part of 19 of the 21 sites were reached prior to scheduled hearings and resolved another $3 billion in environmental Claims for approximately $529 million in allowed general unsecured claims or cash. All but two of these settlements have been filed with or approved by the Bankruptcy Court. Two sites originally scheduled for hearings were not addressed by hearings or settlements.

Toward the end of the First CMO process, the DOJ attended the mediation before Judge Magner, which was initially intended to focus upon estimation of the Derivative Asbestos Claims. *See* Section 2.19(b) above. When that mediation expanded to include discussions of a global plan structure, the parties reached an agreement in principle on a plan based structure of settlement encompassing the sites addressed by the First CMO and also addressing the majority of remaining environmental Claims. At that time the Debtor and the DOJ requested that the Court not rule on the three sites that have been the subject of estimation hearings. The environmental components addressed and settlement amounts anticipated are as follows: (a) owned, non-operating sites with identified environmental issues, will be placed into one or more Environmental Custodial Trusts along with approximately $244 million designated for remediation and restoration costs and $30 million to defray administration costs of the trusts; (b) nineteen First CMO sites settled prior to estimation hearings, with settlements totaling approximately $529 million; (c) three First CMO federal/state sites reaching estimation hearings, anticipated to settle for $750 million plus certain supplemental amounts; and (d) two unaddressed sites originally scheduled under the First CMO, plus the vast majority of remaining state and federal claims (the "Miscellaneous State and Federal Sites"), anticipated to settle for approximately $103 million. These components and the settlement agreed to under the global plan structure are illustrated in the chart below. *See* components 1 to 4 in the chart below.

The Miscellaneous State and Federal Sites comprise approximately 26 sites where either the federal government, a state government, or both governments have filed environmental claims against ASARCO. The amounts stated in the original Proof of Claims at these sites range from $320 million and $360 million in the aggregate. These Miscellaneous State and Federal Sites are the sites that were not scheduled for estimation under the First CMO. The Debtor estimates that all claims at these sites can be resolved for approximately $103 million. *See* component 4 in the chart below.

On March 14, 2008, in order to address the PRPs' Claims, the Debtors filed a motion to implement a procedure for handling Environmental Claims made by PRPs, to disallow the PRPs' Claims for future environmental costs under section 502(e)(1)(B) of the Bankruptcy Code, and to disallow Claims barred by contribution protection provided by numerous settlement agreements pursuant to section 113(f)(2) of CERCLA. The PRP Claims which are not disallowed under section 502(e)(1)(B) of the Bankruptcy Code or section 113(f)(2) of CERCLA must be estimated pursuant to section 502(c) of the Bankruptcy Code. In the estimation proceedings, the PRPs must establish ASARCO's share, if any, of the liability on these Claims, and the extent that such Claims are not duplicative of Claims of federal and/or state governments.

After negotiations with a number of PRPs, ASARCO proposed a case management order establishing procedures for disallowance or estimation of the PRPs' Claims; the Bankruptcy Court approved an order on May 9, 2008 ("Second CMO"). The Second CMO provides for the PRPs' Claims to be divided into bands, and establishes procedures for discovery, mediation and hearing regarding the PRPs' Claims. The Debtor anticipates that the majority, if not all, of PRP Claims in component 6 and some of the Claims in component 5 in the chart below can be resolved by 502(e)(1)(B) of the Bankruptcy Code or section 113(f)(2) of CERCLA. The Debtor estimates that all currently unresolved PRP Claims can be resolved for between $150.3 million to $268.6 million. See components 5 and 6 in the chart below.

The Bankruptcy Court entered a third order establishing procedures for disallowance or estimation of PRP claims at the Perth Amboy site ("Third CMO") on June 24, 2008. Like the previous two case management orders, the Third CMO establishes procedures for discovery, mediation, and a hearing date to estimate PRP claims at the Perth Amboy site. The costs for any claims resolved under the Third CMO are included in component 5 below. After accounting for the claims addressed by the global plan structure and those being addressed by the Second CMO, there are a few remaining environmental components: (a) other miscellaneous Claims, which are largely resolved, totaling approximately $114 million and estimated by the Debtor at $38.5 million; (b) the cost to operate the Custodial Trust, estimated at $30 million; (c) the subordinated federal Claim at the Blue Ledge site, estimated by the United States at between $9 and $25.6 million; and (d) owned, operating sites with environmental liabilities, which will be assumed by Vedanta under the Vedanta proposal, if ultimately approved by the Bankruptcy Court.

The following chart summarizes the Claim amounts and proposed resolution of environmental Claims, as described above.

Environmental Claims (in $ Millions)		
Component	**Amount Proposed/ Estimated**	**Creditor Claim[5]**
Proposed Global Settlement - Main Components		
1. Custodial Trust	approximately $244.0	n/a[6]
2. First CMO Sites Settled Prior to Estimation Hearing	approximately $529.0	$3,050.2 - $3,132.4
3. First CMO Federal/State Sites Reaching Estimation Hearing (Omaha, CDA, and Tacoma)	$750.0 plus certain supplemental amounts	$3,083.4
4. Miscellaneous State and Federal Sites Remaining	approximately $103.0	$345.2 - $360.3
Main Component Subtotal	**$1,626.00**	**$6,747.4 - $6,844.7**
Other Components Not Addressed Above		
5. PRP Costs (excluding Future Response Costs at Miscellaneous State/Fed Sites below)	$24.0	$268.6
6. PRP Future Costs at Miscellaneous State/Federal Sites	$0.0	$179.8
7. Other Miscellaneous Claims[7]	$38.5	$113.5
8. Cost of Environmental Custodial Trusts	$30.0	n/a
9. Subordinated Claims (Blue Ledge and New Jersey)	n/a[8]	n/a
Other Component Subtotal	**$92.5**	**$561.9**
Combined Total	**$1,718.5**	**$7,309.3 - $7,406.6**

ASARCO believes that the amounts listed in the components above represent a reasonable compromise of what in most cases are varying estimates of the funds necessary to address reasonable cleanup contingencies or reasonable compensation for natural resource damages. It is possible, perhaps even likely, that at any given site actual cleanup expenditures will be higher than anticipated. It is also possible, perhaps even likely, that the United States or one or more states will uncover additional sites not previously associated with ASARCO. Although such claims might under some legal theories be considered non-dischargeable, under the Plan, the United States and states will effectively have no further recourse against ASARCO. However, the United States will still have access to funds through the Prepetition ASARCO Environmental Trust to the extent AMC continues to fund it. AMC has not defaulted on any payments owed to the Prepetition ASARCO Environmental Trust thus far. A promissory note with $25 million in principal remaining is held by the Prepetition ASARCO Environmental Trust, and payments of $12.5 million plus interest will come due in May 2009 and May 2010. Of this amount, approximately $4.2 million is already contemplated by settlements with the United States for

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[5] Claim amounts derived from Proofs of Claim, creditor updates, or expert reports.

[6] A creditor estimate of these costs is not applicable because the Environmental Custodial Trusts cover owned, non-operating sites for which creditors were not required to file Proofs of Claim.

[7] Includes the Houston site; Hayden past costs; Ray Mine NRD; El Paso Paving SEP; Gulf Industries state claim; and Columbus state claim.

[8] The federal Blue Ledge site claim will not be paid until general unsecured creditors have been paid in full.

remediation of sites settled under the First CMO. Funds that are paid into the Prepetition ASARCO Environmental Trust are not property of the estate, and the United States has broad discretion in determining how those monies are spent.

2.21 Estimation of Toxic Tort Claims and Omnibus Objection to Toxic Tort Liabilities.

As of the Petition Date, approximately 850 Toxic Tort Claims had been filed against the Debtors in the aggregate amount of approximately $1.47 billion. Additional Toxic Tort Claims were filed in an unstated amount. In a majority of the prepetition lawsuits on which these Claims are based, the Claimants allege some type of physical harm or property damage arising from alleged exposure to lead or toxic substances resulting from the Debtors' operation of various sites located in Hayden, Arizona, Tar Creek, Oklahoma, El Paso, Texas, and other locations.

On May 31, 2007, ASARCO filed a motion to establish procedures for the handling of omnibus objections to Toxic Tort Claims and estimation of certain toxic tort liabilities. By order entered on July 30, 2007, the Bankruptcy Court entered a case management order establishing procedures for the handling of omnibus objections to, and the estimation of, ASARCO's Toxic Tort Claims.

On October 23 and 24, 2007, the Debtors and counsel for several of the toxic tort claimants conducted a mediation, and hundreds of personal injury claims and some property damage claims were resolved pursuant to five separate memoranda of understanding. The parties thereafter negotiated five separate settlement agreements and, by motion filed on January 23, 2008, the Debtors sought approval of these settlements. Pursuant to the settlements, (a) the Claims resulting from the Debtors' operations of a site in Tar Creek, Oklahoma will be satisfied with allowed general unsecured claims in the aggregate amount of $20,782,500; (b) the Claims resulting from the Debtors' operations of the Ray Mine and the Hayden Smelter will be satisfied with an allowed general unsecured claim in the aggregate amount of $4,800,000; and (c) the Claims resulting from the El Paso Smelter will be satisfied with allowed general unsecured claims in the aggregate amount of $2,387,500. On February 20, 2008, the Bankruptcy Court entered an order approving the settlements, and on March 3, 2008, entered an order approving the settlements for claimants who are minors.

Certain property damage claims relating to the Debtors' operations in Tar Creek, Oklahoma remained outstanding after the October 2007 mediation. Mediation of those claims occurred on November 27, 2007, with an additional mediation session on February 15, 2008. Through the mediation, the parties were able to resolve, subject to court approval, all of the appearing claimants' property damage claims. The parties thereafter negotiated a settlement agreement and, by motion filed on June 20, 2008, ASARCO sought approval of the settlement. Pursuant to the settlement, the claimants shall have a general unsecured claim in the aggregate amount of $7 million. The settlement was approved by order entered on July 14, 2008.

As a result of these various settlements, the Debtors have resolved a substantial majority in number of their alleged toxic tort liabilities. The Debtors will address the remaining toxic tort claims through the claim objection process.

2.22 Litigation and Settlement of Mission Mine Leases.

ASARCO's Mission Mine is located on lands owned by ASARCO, lands rented by ASARCO from the State of Arizona and lands leased to ASARCO on the San Xavier Indian Reservation.

In 1959, the Secretary of the Interior, acting through the Bureau of Indian Affairs, entered into or approved certain leases with ASARCO's predecessor in interest, on behalf of owners of interests in trust allotments, currently held by the Tohono O'odham Nation (the "Nation") and several individuals, within the leaseholds (the "Landowners"). The agreements consisted of two mining leases (the "Tract I Lease" and "Tract II Lease"), and twenty-one business leases (the "Tract III Leases" and, together with the Tract I Lease and the Tract II Lease, the "Mission Mine Leases").

The Mission Mine Leases provide in part that, in exchange for the privilege of conducting its operations on Tracts I, II and III, ASARCO must make certain rental and royalty payments to the United States for the use and benefit of the Landowners and comply with certain provisions in the Mission Mine Leases and federal regulations governing the condition of the premises that might arise as a result of the operations. The regulations, in particular, include specifications for the reclamation of the premises during the operations and after the cessation of the operations.

On November 3, 1971, the Nation (formerly known as the Papago Tribe), individual members of the Nation, the Bureau of Indian Affairs, and ASARCO Incorporated (ASARCO's predecessor in interest) entered into an agreement settling a lawsuit, filed in 1970 in the United States District Court for the District of Arizona, that had alleged

ASARCO Incorporated was in violation of the Tract I Lease and Tract II Lease ("the 1971 Settlement Agreement"). The 1971 Settlement Agreement required ASARCO to make certain production royalty payments that were greater than those specified in the Tract I Lease and Tract II Lease and, under certain circumstances, to make minimum royalty payments in addition to the minimum royalty payments specified in those leases to the United States for the use and benefit of the Landowners.

On April 26, 1972, the Nation, with the approval of the Department of the Interior ("Interior"), entered into a business lease with ASARCO's predecessor in interest for the water well sites (the "Well Site Lease"). Under the Well Site Lease, the Nation granted ASARCO the exclusive right to explore for water and to drill and develop water wells, and to extract from and use any water produced by those wells on certain land leased by ASARCO.

In November of 1997, the Arizona Department of Environmental Quality, the Bureau of Indian Affairs and the Bureau of Land Management entered into an Intergovernmental Agreement (the "1997 Intergovernmental Agreement") whereby those parties established a means to provide a uniform procedure to regulate groundwater underlying the leased lands on the San Xavier Indian Reservation. ASARCO was not a party to the 1997 Intergovernmental Agreement but signed in concurrence, agreeing to be bound by its terms and to cooperate fully in its implementation.

In October 2001, ASARCO ceased all mining operations on Tract I, considering the economic ore reserves there to be exhausted based on copper prices at the time. In 2004, ASARCO ceased paying minimum royalties for this lease. On January 5, 2005, the United States issued an order formally canceling the Tract I Lease, which order included a demand that ASARCO perform reclamation on Tract I and comply with the payment and regulatory obligations imposed by the lease and the 1971 Settlement Agreement.

Proofs of Claim were filed by the San Xavier District (the "District") (claim nos. 10506 and 10845) and the San Xavier Allottees Association (the "Allottees Association") (claim nos. 10507 and 10846), alleging that ASARCO is liable for delinquent lease payment and reclamation obligations and certain damages arising from ASARCO's mining and related operations on Tracts I, II and III. The United States also filed proof of claim no. 10744 ("Claim No. 10744" and, together with proofs of claim filed by the District and the Allottees Association, the "Mission Mine Claims") on behalf of Interior and the Landowners, alleging ASARCO is liable for delinquent lease payment and reclamation obligations and certain damages arising from ASARCO's mining and related operations on Tracts I, II and III. The total face amount of the non-duplicative portion of the Mission Mine Claims is approximately $661 million.

On October 26, 2006, ASARCO commenced Adversary Proceeding No. 06-02078 in the Bankruptcy Court against the United States, seeking, *inter alia*, a declaratory judgment determining (a) the dischargeability of certain claims and (b) the validity, priority, and extent of liens or other interest in property relating to Claim No. 10744 filed by the United States (the "Mission Mine Adversary Proceeding"). At the same time, ASARCO also objected to the claims of the United States and asked the Bankruptcy Court to determine the scope of ASARCO's reclamation obligations. ASARCO moved to estimate the Mission Mine Claims.

On August 7, 2007, ASARCO commenced Adversary Proceeding No. 07-2059 in the Bankruptcy Court against multiple defendants, including the Office of Trust Funds Management, U.S. Department of the Interior, seeking, *inter alia*, to avoid and recover certain allegedly preferential transfers.

After extensive and lengthy negotiations, ASARCO, the Nation, the District, the Allottees Association and the United States were able to resolve their disputes. Their agreement is memorialized in a settlement agreement (the "Mission Mine Settlement Agreement"), a copy of which is attached to the Plan as **Exhibit 15**, and which contains the following key terms, among others:

- The Mission Mine Settlement Agreement shall become fully effective only after all of the following events have occurred: (a) the Bankruptcy Court approves the Mission Mine Settlement Agreement; (b) the Bankruptcy Court approves ASARCO's assumption of the Tract II Lease, Tract III Leases, the Well Site Lease, the 1971 Settlement Agreement, and the 1997 Intergovernmental Agreement with the Arizona Department of Environmental Quality (collectively, the "Mission Mine Unexpired Agreements"); (c) the portion of the notice requirements in Exhibit B to the Mission Mine Settlement Agreement that relates to court approval of the Mission Mine Settlement Agreement is fully satisfied; (d) the Bankruptcy Court approves the settlement agreement with St. Paul Travelers Insurance Company and its affiliates and subsidiaries ("St. Paul"), attached to the Mission Mine Settlement Agreement as Exhibit C;

(e) the Legislative Council of the Nation has passed a resolution authorizing the Nation to execute the Mission Mine Settlement Agreement and to waive sovereign immunity as described therein; and (f) the Bankruptcy Court's orders approving the Mission Mine Settlement Agreement, the settlement agreement with St. Paul, and ASARCO's assumption of the Mission Mine Unexpired Agreements are entered and have not been stayed pending appeal within ten (10) days after entry. ASARCO may elect (but is not obligated) to waive the condition contained in subparagraph (e) of this paragraph. If ASARCO waives the condition contained in subparagraph (e), then the effective date of the Mission Mine Settlement Agreement will occur without the condition contained in subparagraph (e) being met.

- Within ten days after the effective date of the Mission Mine Settlement Agreement, ASARCO will deposit $33 million (plus the amount of $2,600 per day for each day starting on and including February 1, 2008 until the date of the deposit) into an escrow account (the "Mission Mine Escrow Account") for the purposes of funding the implementation of the mine reclamation component of the agreed mining and reclamation plan (the "MARP;" Exhibit F to the Mission Mine Settlement Agreement).

- On the effective date of the Mission Mine Settlement Agreement, the United States' Claim for prepetition royalties alleged to be related to the Tract I Lease shall be allowed as an Unsecured Claim in the amount of $225,000 for the benefit of the Landowners. No other pre-petition Claims (except the cure claim specified below) will be allowed.

- Within ten days after the effective date of the Mission Mine Settlement Agreement, ASARCO will pay the United States, for the use and benefit of the Landowners, $172,755.53 in Cash as a cure payment for prepetition royalties and penalties alleged to be related to the Tract II Lease (the "Mission Mine Cure Payment").

- The Nation, the District, the Allottees Association and the United States will release ASARCO from (a) any and all pre-petition Claims related to ASARCO's mining and related operations and physical disturbance resulting from those operations at the Mission Mine Complex, including, but not limited to, the $661 million of Claims asserted in the Mission Mine Claims; (b) any and all Claims arising post-petition through the effective date of the Mission Mine Settlement Agreement related to the Tract I Lease; and (c) all mining plan and reclamation obligations that might, under the law or contracts, burden ASARCO as a result of ASARCO's past, present and future operations and physical disturbance resulting from those operations within the operational footprint on the Mission Mine Leases.

- ASARCO will release the Nation, the District, the Allottees Association and the United States from any and all Claims related to ASARCO's mining and related operations and physical disturbance resulting from those operations on Tract II and III through the Petition Date and on Tract I through the effective date of the Mission Mine Settlement Agreement (subject to certain exceptions which are more fully described in the Mission Mine Settlement Agreement).

- The United States will release St. Paul and ASARCO from any and all obligations under the following numbered surety bonds: 420669, 420670, 420668, 143432, 297126, 297127 and 396702 (the "Mission Bonds") after ASARCO deposits the funds into the Mission Mine Escrow Account.

- ASARCO will assume the Mission Mine Unexpired Agreements.

- Within ten days after the effective date of the Mission Mine Settlement Agreement, ASARCO will dismiss the Mission Mine Adversary Proceeding with prejudice.

- Within ten days after the effective date of the Mission Mine Settlement Agreement, ASARCO will dismiss with prejudice the Office of Trust Funds Management, U.S. Department of the Interior as a defendant in Adversary Proceeding No. 07-2059.

- While ASARCO remains contractually obligated to perform the reclamation outlined in the MARP, ASARCO will be reimbursed from the Mission Mine Escrow Account as it performs the work. ASARCO is relieved of all obligations to perform reclamation once the Mission Mine Escrow Account is exhausted or once the remaining balance in the Mission Mine Escrow Account is insufficient to pay for further reclamation activities.

- In addition to performing the reclamation work specified in the MARP, ASARCO will construct and maintain stormwater controls that are the same as the stormwater controls mandated by a pre-petition order of the EPA. ASARCO will contract and maintain these controls pursuant to its contractual obligation to do so under the Mission Mine Settlement Agreement, but ASARCO retains the right to challenge the EPA order itself. ASARCO must maintain the stormwater controls on the Mission Mine Complex and maintain them until mining and reclamation work is completed on the San Xavier Reservation and the Mission Mine Complex. Further, ASARCO agrees to pay for certain other miscellaneous costs associated with the reclamation (such as ½ of the escrow manager's fees).

- The Mission Mine Settlement Agreement will bind and inure to the benefit of the parties' successors and assigns, and will also bind any purchaser of the Mission Mine, including the Plan Sponsor. The Plan provides that a condition precedent to Confirmation is that the Mission Mine Settlement Agreement is assumed and assigned to the Plan Sponsor. The non-ASARCO parties to the Mission Mine Settlement Agreement will consent to the assumption and assignment of that Agreement, and all related agreements (including the Mission Mine Unexpired Agreements), and will execute any and all consents or assignments necessary to effectuate such assumption and assignment.

- In addition to the above, the non-ASARCO parties to the Mission Mine Settlement Agreement have separately agreed that they will make good faith efforts to obtain signatures of allottees approving the terms of the Mission Mine Settlement Agreement. This approval will be set forth in a separate document.

On March 14, 2008, ASARCO filed its motion for assumption of the Mission Mine Unexpired Agreements, and approval of the Mission Mine Settlement Agreement. The motion was approved by order entered on April 9, 2008.

By agreed order entered on May 6, 2008, the Mission Mine Adversary Proceeding was dismissed with prejudice and without costs as against any party. The Bankruptcy Court dismissed ASARCO's objection to Claim No. 10744 by order entered on May 7, 2008, with the Claim being Allowed as set forth in the order approving the Mission Mine Settlement Agreement. The Office of Trust Funds Management, U.S. Department of Interior, was dismissed with prejudice as a defendant in Adversary Proceeding No. 07-2059, by agreed order entered on May 7, 2008.

As required by the Mission Mine Settlement Agreement, ASARCO paid $33 million, plus interest, into the Mission Mine Escrow Account and made the Mission Mine Cure Payment.

2.23 Settlement with Seaboard Surety Company and St Paul Fire & Marine Insurance Company.

Prior to the Petition Date, Seaboard Surety Company ("Seaboard") and St. Paul Fire & Marine Insurance Company ("St. Paul" and, together with Seaboard, "SPT"), as surety, issued certain surety bonds on behalf of ASARCO, as principal, including, without limitation, the Mission Bonds in favor of the United States or the Interior. The Mission Bonds bonded certain of ASARCO's obligations relating to its mining operations at the Mission Mine. The aggregate penal sum[9] of the Mission Bonds is $11,654,896.

[9] The "penal sum" of a surety bond represents the maximum amount that the surety could be liable to the obligee on the surety bond.

In addition to the Mission Bonds, Seaboard also issued surety bonds numbered 403998, 394729, 133771, 142706 and 403855 (the "Flow Through Bonds") on behalf of ASARCO, as principal, in order to bond ASARCO's obligations to various other entities. The aggregate penal sum amount of the Flow Through Bonds is $12,357,861.

Seaboard also issued surety bond number 386149 (the "Deming Bond") on behalf of ASARCO, as principal, in favor of the Mining and Minerals Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico, to bond ASARCO's reclamation obligations at the Deming Mill Mine, Luna County, New Mexico. The total penal sum of the Deming Bond is $850,000.

On April 10, 2001, Seaboard, as surety, issued surety bond number 408788 (the "TCEQ Bond") on behalf of ASARCO, as principal, in favor of the Texas Commission on Environmental Quality (successor to the Texas Natural Resource Conservation Commission) (the "TCEQ") to bond ASARCO's obligations to comply with permit requirements relating to three injection wells identified by ASARCO as W.D.W. 129, W.D.W. 273, and W.D.W. 324. The original penal sum amount of the TCEQ Bond was $501,163. By letter dated August 23, 2005, the TCEQ made a demand against Seaboard under the TCEQ Bond for the full penal sum amount and, in response, on December 12, 2005, Seaboard paid the TCEQ $501,163.

On January 12, 1999, St. Paul, as surety, issued bond number 400KA1234 (the "ORIC Bond" and together with the Mission Bonds, the Flow Through Bonds and the TCEQ Bond (but excluding the Deming Bond), the "SPT Bonds") on behalf of ASARCO, as principal, in favor of Old Republic Insurance Company ("ORIC"). The penal sum of the ORIC Bond is $6,000,000.

ORIC issued certain workers' compensation and employers' liability insurance policies to ASARCO for the periods beginning February 1, 1990 through March 15, 2003 (the "ORIC Policies"). The ORIC Bond secures, up to the penal sum amount, ASARCO's obligations to pay a deductible of $500,000 to $2,000,000 (depending on the policy year) with respect to each incident covered under the ORIC Policies.

ASARCO's ORIC Policy obligations were also supported in part by a letter of credit posted by ASARCO in favor of ORIC in the amount of $289,415 (the "ORIC LC"). On November 1, 2002, ORIC drew the entire amount of the ORIC LC and deposited the proceeds into an interest bearing letter of credit account.

ASARCO's ORIC Policy obligations were supported by funds held by ORIC in the amount of $769,700, which were paid to ORIC by ASARCO as additional security for the amounts that would be due to ORIC (the "Imprest Funds").

On or about November 23, 2005, ASARCO notified ORIC that ASARCO would no longer pay its obligations under the ORIC Policies and related agreements. Thereafter, ORIC made an informal demand on SPT, pursuant to the terms of the ORIC Bond, requesting that SPT pay ORIC the full penal sum amount of the ORIC Bond of $6,000,000.

On August 23, 2006, SPT and ORIC entered into a settlement agreement (the "ORIC Settlement") and, in connection therewith, SPT paid ORIC $2,770,392.54 as an initial payment under the ORIC Bond.

In connection with the issuance of the Bonds and the Deming Bond, ASARCO executed and delivered to SPT a General Agreement of Indemnity dated October 19, 1993 (the "SPT Indemnity Agreement"), pursuant to which ASARCO is required to pay all premiums and indemnify SPT and hold SPT harmless against "all liability, losses, costs, damages, attorneys' fees, disbursements and expenses of every nature which the Surety may sustain or incur by reason of having executed or procured the execution of any such Bonds…."

On July 28, 2006, SPT filed proof of claim no. 10546 (the "SPT Claim") in ASARCO's bankruptcy case asserting claims of indemnification and subrogation against ASARCO in connection with SPT's alleged liabilities under the SPT Bonds and the Deming Bond. As set forth above, SPT has already honored draws on the TCEQ Bond and the ORIC Bond.

In lieu of ASARCO objecting to the SPT Claim, ASARCO and SPT reached an agreement resolving the SPT Claim. The agreement resolves SPT's substantial indemnification and subrogation Claims against ASARCO, and provides for SPT to make a significant financial contribution that will assist ASARCO with its settlement of the Mission Mine Claims. The agreement is memorialized in a settlement agreement and mutual release (the "SPT Settlement Agreement"), which contains the following key terms, among others:

- The SPT Settlement shall not be effective until the date on which both of the following events have occurred: (a) the Bankruptcy Court approves the SPT Settlement Agreement pursuant to a Final Order; and (b) the Bankruptcy Court approves the Mission Mine Settlement Agreement pursuant to a Final Order.

- Within five business days after the effective date of the SPT Settlement, SPT will pay ASARCO $1,300,000 (the "SPT Payment"), which will be used in satisfaction of ASARCO's reclamation obligations covered by the Mission Bonds.

- SPT will be granted, without any further order of the Bankruptcy Court or any further action required of or by SPT, an allowed administrative expense Claim against ASARCO in the amount of $501,163 with respect to SPT's payment on the TCEQ Bond.

- Upon the effective date of the SPT Settlement, (a) the automatic stay will be lifted without further court order and to the extent applicable to permit ORIC to apply the Imprest Funds against its Claims against ASARCO, and (b) SPT will be granted an Allowed Unsecured Claim in the amount of $2,310,392.54 against ASARCO, which reflects (i) SPT's initial ORIC Bond payment less the Imprest Funds plus (ii) past due premiums owed by ASARCO related to the ORIC Bond. Upon the effective date of the SPT Settlement, the SPT Claim will automatically, and without any further order of the Bankruptcy Court or any further action required of or by SPT, be deemed Allowed in the amount of $2,310,392.54.

- SPT will be permitted to file an Unsecured Claim related to the Deming Bond that will be deemed to be timely filed.

- ASARCO will reaffirm the SPT Indemnity Agreement with respect to the Flow Through Bonds and any other bonds that may subsequently be issued and covered by the SPT Indemnity Agreement.

- ASARCO will ensure that any plan of reorganization it either proposes or consents to contains a provision stating that ASARCO's obligations under and relating to the Flow Through Bonds and the SPT Indemnity Agreement as it relates to the Flow Through Bonds are not discharged upon Confirmation of any plan of reorganization or upon ASARCO's emergence from the Reorganization Cases.

- SPT will not terminate the Flow Through Bonds or seek to collateralize the Flow Through Bonds unless certain conditions (as described in greater detail in the SPT Settlement Agreement) are met.

- ASARCO will periodically provide SPT with certain financial information, as set forth in more detail in the Settlement Agreement.

- If ASARCO fails to provide certain financial information to SPT or if ASARCO fails one of the conditions related to the Flow Through Bonds, then ASARCO will be obligated to collateralize the Flow Through Bonds or provide replacement security and effectuate a release of the Flow Through Bonds, in the manner set forth in the Settlement Agreement.

- The parties will execute a mutual release.

On March 14, 2008, ASARCO filed a motion seeking approving of the SPT Settlement Agreement. The motion was approved by order entered by the Bankruptcy Court on April 9, 2008. In accordance with the SPT Settlement Agreement, SPT made the SPT Payment to ASARCO.

2.24 Preferences and Fraudulent Conveyance Actions.

(a) Preferences.

A preference is a transfer to a creditor in payment of an existing debt made within certain statutorily determined time periods before the commencement of a bankruptcy case. Pursuant to section 547(b) of the Bankruptcy Code, the trustee or the debtor in possession may recover preferences for the benefit of all creditors of the estate in order to prohibit the debtor from favoring some creditors over others on the eve of bankruptcy and frustrating the Bankruptcy Code's goal of equitable distribution to all creditors. To establish a preference and recover funds paid out, the trustee or the estate must prove that a transfer of a debtor's property was made:

- to or for the benefit of a creditor;
- on account of an existing debt;
- while the debtor was insolvent;
- within 90 days (or one year, if to an "insider") before the debtor's bankruptcy petition was filed; and
- so as to enable the creditor to receive more than it would have received if the transfer had not been made, the debtor was liquidated under chapter 7 and the creditor received the distributions it would have received in a chapter 7 case.

The preference statute excepts payments made "in the ordinary course of business" according to ordinary business terms, and these payments are not recoverable from creditors. Also excepted are payments made for new value or a substantially contemporaneous exchange of money and goods. Additional defenses to preference liability are set forth in section 547(c) of the Bankruptcy Code.

The Debtors have analyzed potential preferential transactions with third parties during the 90-day period prior to the bankruptcy filings in order to estimate potential recovery. The analysis also took into consideration the three primary defenses (ordinary course payment, new value and contemporaneous exchange), and factored deposits held by vendors into estimates of potential net recovery.

As a result of this analysis, the Debtors have filed adversary proceedings in the Bankruptcy Court seeking to recover preferential transfers from approximately 165 defendants who received more than $50,000 each from a Debtor during the preference period. As discussed below in Section 2.24(l)(3), ASARCO has obtained an extension of the time for serving the summonses and complaints in these adversary proceedings.

(b) Fraudulent Transfers.

The successful prosecution of a claim by or on behalf of a debtor or its creditors under the applicable fraudulent-transfer law generally requires a determination that the debtor effected a transfer of an asset or incurred an obligation to an entity either:

- with an actual intent to hinder, delay, or defraud its existing or future creditors (a case of "actual fraud"); or
- in exchange other than for a "reasonably equivalent" value or a "fair consideration", when the debtor:
  - was insolvent or rendered insolvent by reason of the transfer or incurrence;
  - was engaged or about to engage in a business or transaction for which its remaining assets would constitute unreasonably small capital; or

– intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature;

each a case of "constructive fraud."

In the case of either actual fraud or constructive fraud involving a transfer of assets, the unpaid creditors affected thereby may be entitled to equitable relief against the transferee of the assets in the form of a recovery of the transferred property or the value of the avoided transfer. The relief in the case of an avoided obligation might take the form of a subordination of that obligation to the claims of creditors entitled to relief.

The measure of insolvency for purposes of a constructive fraud action would depend on the fraudulent transfer law being applied. Generally, a transferor is insolvent if, at the relevant time, either:

- the sum of its debts and liabilities, including contingent liabilities, was greater than the value of its assets, at a fair valuation; or

- the fair salable value of its assets was less than the amount required to pay the probable liability on its total existing debts and other liabilities, including contingent liabilities, as they become absolute and mature.

The transactions of the Debtors that could be subject to review and, upon the required showing, avoidance under the applicable fraudulent transfer law, would be limited to those occurring within the relevant limitations period. In the case of actions under section 548 of the Bankruptcy Code, that period would be the twelve-month period ending on the Petition Date. In the case of actions under a state fraudulent transfer law, the limitations period ranges from one year to six or more years after the questioned transfer or incurrence of an obligation is effected. Under most state laws, including the laws of Texas, the limitations period generally would be four years.

(c) Avoidance Action Against AMC.

On February 2, 2007, ASARCO filed an action against its parent, AMC, to avoid the transfer of its 54.2% controlling ownership interest in Southern Peru Copper Company, now known as Southern Copper Corporation ("SCC"). ASARCO contends that the transaction was an actually and/or constructively fraudulent transfer, and seeks the return of its interest in SCC. As a result of subsequent transactions involving SCC, the stock at issue constitutes about 29.5% of currently outstanding stock in SCC, whose current market capitalization is more than $26.5 billion as of July 18, 2008. ASARCO also seeks to recover the SCC dividends it would otherwise have received since the transfer in 2003, which amount to at least $1.7 billion as of July 18, 2008.

In the AMC lawsuit, ASARCO and Southern Peru Holdings, LLC assert the following causes of action against AMC: (1) actual fraudulent transfer; (2) constructively fraudulent transfer; (3) civil conspiracy; (4) breach of fiduciary duty; (5) aiding and abetting a breach of fiduciary duty; and (6) punitive damages.

After the withdrawal of the reference, this action is pending before Judge Andrew S. Hanen of the United States District Court for the Southern District of Texas, Brownsville Division, as Civil Action No. 07-00018. A bench trial of the lawsuit began on May 12, 2008 and concluded on June 12, 2008. Judge Hanen is presently considering the matter.

(d) Avoidance Action Against Grupo Mexico.

On or about October 15, 2004, certain creditors of ASARCO filed an action (the "New York State Court Action") in the Supreme Court of the State of New York, County of New York (the "New York State Court"), styled *Phillip Nelson Burns, et al. v. Grupo Mexico, S.A. de C.V., et al*., Index No. 0114728/2004 against various defendants, including Grupo Mexico. The creditors allege, among other things, that the transfer of ASARCO's interest in SCC to AMC in 2003 was fraudulent under the New York Debtor and Creditor Law, and that the creditors are entitled to judgment against Grupo Mexico. Upon ASARCO's bankruptcy filing, the claims asserted in New York State Court Action became property of ASARCO's Estate pursuant to section 541 of the Bankruptcy Code, and the continued prosecution of the lawsuit was automatically stayed pursuant to section 362(a) of the Bankruptcy Code.

ASARCO and Southern Peru Holdings, LLC removed the claims against Grupo Mexico relating to the fraudulent transfer of ASARCO's interest in SCC (as asserted in the first, second, third, fourth and seventh claims for relief in the amended complaint) to the United States District Court for the Southern District of New York (the "New York Federal Court"). On November 16, 2007, the New York Federal Court granted ASARCO and Southern Peru Holdings' motion to substitute and transfer venue, and denied Grupo Mexico's motion to remand or dismiss. The removed claims are now pending in the District Court before Judge Hanen as Civil Action No. 07-00203. These claims, together with the avoidance action pending against AMC as Civil Action No. 07-00018, are sometimes referred to in the Plan Documents as the "SCC Litigation." The Debtors' claims and causes of action that remain pending in the New York State Court are sometimes referred to in the Plan Documents as the "Burns Litigation."

(e) Avoidance Action Against MRI.

On April 9, 2007, ASARCO and ASARCO Master filed a complaint against Montana Resources, Inc. ("MRI"), a subsidiary of the Washington Companies, thereby initiating Adversary Proceeding No. 07-02024. ASARCO seeks to avoid the fraudulent transfer of ASARCO's interest in a Montana-based, mining-operations partnership ("MR Partnership") to its partner MRI. ASARCO's partnership interest, 49.9% of one of the most valuable mining operations in the United States, was transferred to MRI after ASARCO failed to meet partnership cash calls prior to its bankruptcy filing. At the time of the cash calls, ASARCO was deeply insolvent and severely undercapitalized. ASARCO's interest in the partnership was transferred for $5 million, a mere fraction of its reasonable equivalent value. ASARCO also objected to MRI's Proofs of Claim which assert Claims in excess of $100 million for reimbursement of contingent environmental liabilities incurred by the MR Partnership pursuant to the indemnification and reimbursement provisions of the partnership agreement. This litigation is sometimes referred to in the Plan Documents as the "MRI Litigation."

Pursuant to a settlement agreement approved by the Bankruptcy Court on December 27, 2007, certain of MRI's Proofs of Claim were compromised. MRI's Proofs of Claim seeking indemnification under the partnership agreement for alleged future reclamation obligations totaling $87 million were not compromised and remain pending in the MRI Litigation.

ASARCO objected to MRI's future reclamation Claim under section 502(e)(1)(B) of the Bankruptcy Code, which requires a court to disallow a claim of a party liable with the debtor if the claim is for contribution or reimbursement and is contingent at the time the claim is considered for allowance. In addition, ASARCO objected to the Claim under section 502(d) of the Bankruptcy Code, which requires disallowance of the claim of a claimant from which property is recoverable as a fraudulent transfer or preference. ASARCO also objected to the Claim on the grounds that the indemnification provisions of the partnership agreement are inapplicable to a dissociated partner. ASARCO further denies any liability to MRI because the MR Partnership is profitable and can pay for the reclamation itself, thereby leaving MRI with no damages to assert against ASARCO.

On May 22, 2007, MRI asked that the reference of this adversary proceeding be withdrawn. ASARCO objected to this request. The Bankruptcy Court held a hearing on the motion on June 15, 2007, and issued its report and recommendation on July 6, 2007. The court recommended that the District Court allow the lawsuit to remain in the Bankruptcy Court for pretrial matters. By order entered on December 18, 2007 in Civil Action No. 07-299, the District Court agreed with the Bankruptcy Court's recommendation and denied the motion to withdraw the reference. If MRI can establish a right to a jury trial at the time the lawsuit is ready for trial, then the merits of withdrawing the reference to the District Court will likely be re-examined.

On July 30, 2007, MRI filed a motion seeking dismissal of all causes of action in this adversary proceeding or, alternatively, a transfer of venue of the action to the United States District Court for the District of Montana. The Bankruptcy Court held a hearing on the motion on September 14, 2007. By order entered on April 15, 2008, the Bankruptcy Court denied the motion to dismiss or transfer venue, for the reasons stated orally on the record on April 7, 2008. On April 25, 2008, MRI filed a notice of appeal from that order, as well as a motion for leave to appeal the order and a separate motion asking the District Court to certify a direct appeal to the United States Court of Appeals for the Fifth Circuit.

On May 28, 2008, the Bankruptcy Court entered an Agreed Revised Comprehensive Discovery, Mediation and Scheduling Order which established a pre-trial schedule and set the trial on this adversary proceeding to commence on June 1, 2009 and continue through June 3, 2009, if necessary.

(f) Rosemont Mining Property Avoidance Action.

On August 7, 2007, ASARCO filed a complaint against Augusta Resource (Arizona) Corporation, August Resource Corporation (collectively, the "Augusta Defendants"), Rosemont Ranch, LLC, TWW Investments, LLC, DAS Holdings, LLC, Habibi, LLC, West Santa Rita Land, LLC and Lazy Y I Ranch, LLC (collectively, the "Rosemont Ranch Defendants"), thereby initiating Adversary Proceeding No. 07-02056. ASARCO seeks to avoid the June 2004 fraudulent transfer of certain of its property located in Pima County, Arizona (the "Rosemont Mining Property") to Rosemont Ranch, LLC. The specific allegations can be obtained by reviewing the complaint in this lawsuit, but generally speaking, ASARCO sold the property for $4 million to the Rosemont Ranch Defendants while insolvent, and they then sold the property less than one year later to the Augusta Defendants for approximately $20 million. The Rosemont Mining Property, as admitted publicly by defendant Augusta Resource Corporation (TSX/AMEX:AZC), contains substantial proven and probable mineral reserves.

The defendants have filed various motions to dismiss, withdraw the reference, and to transfer venue to the District of Arizona. The Bankruptcy Court held a hearing on these motions on November 8, 2007, and denied the motion to dismiss and the motion to transfer venue by order entered on April 15, 2008 for the reasons stated orally by the Bankruptcy Court on the record on April 7, 2008. On April 25, 2008, the Augusta Defendants and the Rosemont Ranch Defendants each filed a notice of appeal from that order. The Augusta Defendants also filed a motion for leave to appeal and a motion asking the District Court to certify a direct appeal to the United States Court of Appeals for the Fifth Circuit. The Rosemont Ranch Defendants thereafter joined in both of the motions.

On April 18, 2008, the Bankruptcy Court issued a report and recommendation on the motion to withdraw the reference. The court recommended that the District Court allow the lawsuit to remain in the Bankruptcy Court for pretrial matters.

(g) Sacaton Avoidance Action.

On August 8, 2007, ASARCO and AR Sacaton LLC filed a complaint against AMC, Tri-Point Development, LLC, CRM/Casa Grande, LLC, Vanguard Properties, Inc., and First American Exchange Company, LLC, thereby initiating Adversary Proceeding No. 07-02071. ASARCO and AR Sacaton seek to avoid the January 2004 fraudulent transfer of real property near Casa Grande, Arizona which contains substantial underground copper reserves, and also object to AMC's Proof of Claim. AR Sacaton quit claimed the property to AMC in exchange for an "emergency loan" of $5,000,000, which ASARCO and AR Sacaton believe was less than the property's reasonably equivalent value.

Certain of the defendants filed a motion to dismiss the adversary proceeding or, alternatively, to transfer the venue to the District of Arizona, and a motion to dismiss ASARCO as a party. The Bankruptcy Court held a hearing on the motions on November 28, 2007, and took them under advisement. By order entered on April 15, 2008, the Bankruptcy Court denied the motion to dismiss the complaint or transfer venue, for the reasons stated orally on the record on April 7, 2008. Tri-Point Development, LLC, CMR Casa Grande, LLC and Vanguard Properties, Inc. filed a notice of appeal from that order, as a motion for leave to appeal. By separate motion, they asked the District Court to certify a direct appeal to the United States Court of Appeals for the Fifth Circuit.

AMC filed a motion to realign ASARCO as a defendant in this adversary proceeding. The plaintiffs objected. After conducting a hearing on the request on February 27, 2008, the Bankruptcy Court took the matter under advisement.

(h) ASARCO Committee's Derivative Complaint Against Certain Officers and Directors of ASARCO for Breach of Fiduciary Duties.

On August 8, 2007, the ASARCO Committee derivatively filed a complaint on behalf of ASARCO's Estate against certain individuals who served as directors and officers of ASARCO, thereby initiating Adversary Proceeding No. 07-02077. The ASARCO Committee seeks to recover damages of no less than $100 million and related equitable relief from the defendants for their alleged breach of their fiduciary duties to ASARCO and its creditors. This litigation is sometimes referred to in the Plan Documents as the "Derivative D&O Litigation."

ASARCO elected not to pursue the claims set forth in this adversary proceeding, but consented to the ASARCO Committee's prosecution of them on behalf of ASARCO's Estate. The Bankruptcy Court entered a stipulation and order authorizing the ASARCO Committee to pursue these claims on August 8, 2007 (as corrected on August 20, 2007).

AMC and the Parent filed a motion for leave to appeal, as well as a notice of appeal, from the stipulation and order, which initiated Civil Action No. 07-00104 in the District Court.

In an advisory filed in the Bankruptcy Court, the ASARCO Committee stated that once service has been effected on all defendants, it intends to file a motion seeking to stay this adversary proceeding.

(i) Avoidance Action Against Insurance Companies.

On April 10, 2007, the Asbestos Subsidiary Debtors filed in the Bankruptcy Court a Complaint to Recover Constructive Fraudulent Transfers against certain insurance companies, thereby initiating Adversary Proceeding No. 07-02025. The Asbestos Subsidiary Debtors had a legal or equitable interest in insurance policies sold by the defendant insurers. Prior to the filing of the Reorganization Cases, the insurers entered into settlement agreements with the Asbestos Subsidiary Debtors or ASARCO that required them to deliver releases in exchange for the consideration paid by the insurers thereunder. The complaint alleges that the Asbestos Subsidiary Debtors received less than a reasonably equivalent value in exchange for the releases and were either insolvent at the time of the transfer of the release or became insolvent as a result of such transfer. The Asbestos Subsidiary Debtors believe that the transfers constitute constructively fraudulent transfers under the fraudulent transfer provisions of the Bankruptcy Code and Arizona and/or New York law. They seek to avoid the transfers and recover the value of the releases from the defendants.

At the request of the Asbestos Subsidiary Debtors, the Bankruptcy Court abated service of the summons and complaint until 90 days after the effective date of any confirmed plan of reorganization in the Asbestos Subsidiary Debtors' bankruptcy cases.

(j) Avoidance Actions Against Insurance Companies Filed Under Seal.

On August 8, 2007, ASARCO filed in the Bankruptcy Court five Complaints to Recover Constructively Fraudulent Transfers against various insurance companies, thereby initiating Adversary Proceeding Nos. 07-02065, 07-02066, 07-02067, 07-02068, and 07-02069. These actions seek to avoid, as constructively fraudulent transfers, transfers of assets pursuant to settlements with the defendants.

Because the settlement agreements contain confidentiality provisions, and the facts surrounding the transfers should not be made public, the Bankruptcy Court, by order entered on August 8, 2007, permitted the complaints, exhibits and related pleadings in these five adversary proceedings filed by ASARCO to be filed under seal.

As discussed below in Section 2.24(l)(3), ASARCO has obtained an extension of the time for serving the summons and complaints in these adversary proceedings until ninety days after the effective date of any confirmed plan of reorganization in the Reorganization Cases.

(k) Avoidance Action Against Mineral Park, Inc.

On September 21, 2006, ASARCO filed a Complaint to Avoid and Recover Fraudulent Transfer and Application for Temporary Restraining Order and Preliminary Injunction against Mineral Park Inc. ("Mineral Park"), thereby initiating Adversary Proceeding No. 06-02069 in the Bankruptcy Court. This complaint sought to avoid ASARCO's prepetition sale of its South Mill facility (one of its copper mills) to Mineral Park. Because of the immediate threat of irreparable harm to ASARCO's Estate if the mill was dismantled and moved across the state, the Debtors' management and counsel were forced to commit significant time and resources to this action, which included the involvement of all of ASARCO's high-level executives. ASARCO obtained a preliminary injunction preserving the South Mill pending an expedited trial in February 2007. Lehman Brothers provided expert testimony and negotiated directly with Mineral Park's chief executive officer after settlement negotiations among counsel had been unsuccessful. Through the efforts of Lehman Brothers, a favorable settlement was reached before trial, under which ASARCO repurchased the South Mill – an asset expected to generate over $100 million of cash flow through the life of the Mission Mine – for $9 million. The Bankruptcy Court approved the settlement on February 28, 2007. ASARCO restarted the South Mill in November 2007, and believes it will significantly contribute to the value of the Estate.

(l) Tolling Agreements and Extension and Abatement of Time Period for Service of Summons and Related Complaints.

(1) Approval of Tolling Agreement Regarding Deadline for Asbestos Subsidiary Debtors to Bring Causes of Action Under Chapter 5 of the Bankruptcy Code Against ASARCO.

Bankruptcy Code § 546(a)'s two-year statute of limitations for filing Avoidance Actions and other actions under chapter 5 of the Bankruptcy Code expired as to the Asbestos Subsidiary Debtors on April 11, 2007. ASARCO and the Asbestos Subsidiary Committee entered into an agreement tolling and extending the deadline for the Asbestos Subsidiary Debtors to bring causes of action under chapter 5 of the Bankruptcy Code against ASARCO until October 1, 2007, unless ASARCO, the Asbestos Subsidiary Debtors and the Asbestos Subsidiary Committee agree otherwise in writing. The agreement did not apply to any limitations period that expired prior to April 10, 2007. The Bankruptcy Court approved the agreement by order entered on May 11, 2007. The parties have thereafter entered into several stipulations further tolling and extending the limitations period. Most recently, the parties agreed to toll and extend the limitations periods until December 1, 2008, which was approved by order entered on July 14, 2008.

(2) Approval of Tolling Agreement and Limited Waiver of Statute of Limitations Between ASARCO and Mitsui and Authorization for ASARCO to Enter into Similar Agreements.

ASARCO believes it may have causes of action against Mitsui under chapter 5 of the Bankruptcy Code for avoidance of Mitsui's alleged security interests, recovery of preferential payments, and/or release of funds in Mitsui's cash collateral account (*see* discussion at Section 2.15(d) above). Mitsui denies that such claims exist, and the parties are currently discussing the potential claims. However, ASARCO's deadline for filing Avoidance Actions against Mitsui and other potential defendants was August 9, 2007, unless this deadline was tolled. ASARCO and Mitsui entered into a Tolling Agreement and Waiver of Statute of Limitations, tolling, extending and waiving any and all applicable statutes of limitations with respect to any claims that ASARCO and Mitsui may have against each other. Pursuant to the tolling agreement, the tolling period terminates upon the earlier of one year after the agreement's July 27, 2007 effective date or 90 days after the agreement is terminated by written notice of termination by any party.

ASARCO has other potential Avoidance Actions against other potential defendants, which might also be barred if litigation were not commenced by August 9, 2007. While ASARCO filed hundreds of Avoidance Actions before the deadline, it did not believe that litigation should be commenced against certain potential defendants with whom it is in negotiations or as to which investigations are still pending. ASARCO therefore believed that entering into tolling agreements similar to the one entered into with Mitsui would be beneficial to its Estate, by allowing the parties to preserve their legal rights, while giving them additional time to attempt to resolve claims without need of expensive litigation.

On July 19, 2007, ASARCO filed a motion seeking authorization to enter into the tolling agreement with Mitsui, and to enter into agreements with other potential defendants on the same material terms without need of further Bankruptcy Court approval. The motion was granted by order entered on July 27, 2007. ASARCO thereafter entered into tolling agreements with several other potential defendants.

In the year since the entry of such agreements, some of the claims and causes of action necessitating the agreements were settled or otherwise resolved. Additionally, the Debtors have extended tolling agreements addressing claims and disputes not yet resolved.

(3) Extension and Abatement of Time Period for Service of Summonses and Related Complaints for Certain Causes of Action Under Chapter 5 of the Bankruptcy Code.

ASARCO's investigation identified approximately 200 Avoidance Actions and other actions under Chapter 5 of the Bankruptcy Code, the vast majority of which are garden-variety preference actions. ASARCO and the ASARCO Committee agreed that the best course of action in light of the expiration of the limitations period on August 9, 2007 was for ASARCO to preserve the causes of action by filing lawsuits, but defer service of the summonses and complaints relating to such claims until such time as there is more clarity in the Reorganization Cases regarding distributions to unsecured creditors under a plan of reorganization. On July 19, 2007, ASARCO filed a motion seeking an extension and abatement of the time period for serving summonses and complaints with respect to such causes of action until 90 days after the effective date of any confirmed plan of reorganization in the Reorganization Cases. The motion was granted by order entered on August 13, 2007.

2.25 Other Litigation Pending in Bankruptcy Court or On Appeal from Bankruptcy Court Orders.

(a) TMD Acquisition Corporation's Adversary Proceedings Against ASARCO.

On November 4, 2005, TMD Acquisition Corporation ("TMDA") filed Adversary Proceeding No. 05-02086 against ASARCO seeking a declaratory judgment that a prepetition asset purchase agreement for the Tennessee Mines Division property (which ASARCO sold postpetition to Glencore Ltd. for $65 million) remained executory and that, upon rejection, TMDA was entitled to a $250,000 Lien. TMDA also filed a proof of claim seeking $47.4 million in damages for breach of that contract. ASARCO agreed to pay TMDA $475,000 (or 1% of its alleged Claim) in exchange for a full release of Claims by TMDA and its assignee Nord Resources Corporation ("Nord"). By order entered on December 15, 2006, the Bankruptcy Court approved the settlement, and all Claims asserted by TMDA or Nord against ASARCO were dismissed with prejudice by order entered on January 19, 2007.

(b) Adversary Proceeding Against the State of Montana.

On October 26, 2006, ASARCO and American Smelting filed Adversary Proceeding No. 06-02079 against the MDEQ, Atlantic Richfield Company, and ARCO Environmental Remediation LLC, seeking declaratory and injunctive relief. The MDEQ had filed a lawsuit (Cause No. C-DV-2003-160) (the "Montana Litigation") on March 21, 2003, in the Montana First Judicial District Court, Lewis & Clark County (the "Montana Court") against ASARCO, American Smelting, Atlantic Richfield and ARCO Environmental Remediation LLC, seeking a money judgment and various other relief in connection with the alleged contamination and threats of contamination at, and resulting from, the Upper Blackfoot Mining Complex in Lewis & Clark County, Montana. On October 26, 2007, the State of Montana, acting through MDEQ and the Montana Department of Justice (collectively, "Montana"), filed a second amended complaint in the Montana Litigation, adding claims for natural resource damages. In the adversary proceeding, ASARCO and American Smelting sought a declaration that the prosecution of Montana Litigation against them in the Montana Court violated the automatic stay, and an injunction prohibiting the prosecution of those claims during the pendency of their bankruptcy cases. They also asked the Bankruptcy Court to grant limited relief from the automatic stay and the injunction to permit the Montana Litigation to proceed to judgment with respect to all matters brought by Montana, subject to certain conditions.

ASARCO and American Smelting voluntarily dismissed Atlantic Richfield and ARCO from the adversary proceeding, without prejudice, on November 9, 2006, and were thereafter able to resolve the issues raised by the complaint with Montana. On December 4, 2006, the Bankruptcy Court approved a stipulation whereby the parties agreed that the Montana Litigation could proceed to judgment with respect to all matters brought by Montana, subject to certain conditions and limitations, including that nothing in the stipulation permits Montana to seek to enforce a money judgment rendered in the Montana Litigation. However, the United States, Montana and Atlantic Richfield and ARCO subsequently entered into settlement negotiations in the context of the environmental estimation proceedings. The parties reached a settlement that resolves all Claims among the parties with respect to the Upper Blackfoot Mining Complex. As part of the settlement, Montana shall dismiss the Montana Litigation once certain conditions are met. A motion seeking approval of this settlement was filed with the Bankruptcy Court on April 25, 2008, and was approved by order entered on May 19, 2008. On June 12, 2008, the settlement agreement was also approved by the Montana federal district court, after a 30-day public comment period.

(c) Adversary Proceeding Against Gerald Metals, Inc.

On May 1, 2006, ASARCO filed a complaint against, and an objection to Proof of Claim number 8351 filed by, Gerald Metals, Inc. ("Gerald"), thereby initiating Adversary Proceeding No. 06-02033. Gerald and ASARCO engaged in contractual commercial transactions over a number of years for the purchase, toll, and exchange of copper materials. Pursuant to the order entered on October 28, 2006, ASARCO rejected several executory contracts with Gerald. Gerald filed a rejection damages Claim against ASARCO in the amount of $13,904,158, and asserted that $7,166,365.12 of this amount (the amount owed by Gerald to ASARCO under the agreements) was secured as a result of its setoff rights. In its complaint, ASARCO asked that this Claim be disallowed, sought damages resulting from Gerald's failure to pay the amounts due to ASARCO on various outstanding invoices, and sought the turnover of an overshipment of copper in possession of Gerald. Gerald filed a motion for relief from the automatic stay in order to effect its setoff rights, but that motion was consolidated into the adversary proceeding by stipulation and agreed order entered on March 20, 2006.

The parties were able to resolve their disputes and sought approval of their settlement by motion filed on July 3, 2007. The settlement agreement provides for Gerald to pay ASARCO $5,587,656.68, Gerald to have an Allowed Unsecured Claim in the amount of $12,304,158, and the parties to execute mutual releases. The Bankruptcy Court approved

the settlement agreement by order entered on July 27, 2007, and the adversary proceeding was dismissed with prejudice by order entered on August 31, 2007.

2.26 Litigation Outside of the Bankruptcy Court.

(a) Extension of Deadline for Removal of Civil Actions.

The Bankruptcy Court entered several orders extending the deadline for removing civil actions to the Bankruptcy Court pursuant to 28 U.S.C. § 1452(a). Most recently, by order entered on June 6, 2008, the Bankruptcy Court extended this deadline until October 10, 2008.

(b) Water Rights Issues.

ASARCO faced complex water rights issues relating to its operations at Hayden Smelter and Ray Mine. These issues arise by virtue of certain settlements between the Gila River Indian Community ("GRIC") and others, as well as future CAP water exchanges which could possibly adversely impact ASARCO. Action has been taken in federal and state courts of relevant jurisdiction to oppose these settlements.

(c) Coeur d'Alene Litigation.

In 1991, the Coeur d'Alene Tribe filed a natural resources damages lawsuit designated as Case No. 91-0342 against a number of defendants, including ASARCO's predecessor in interest referred to herein as ASARCO NJ, in the United States District Court for the District of Idaho (the "Idaho Court"). On March 22, 1996, the United States filed an action designated as Case No. 96-0122 on behalf of Interior, the USDA, and the EPA against ASARCO NJ and other defendants in the Idaho Court, seeking clean up costs and natural resource damages in excess of $1.5 billion from the defendants, for their alleged release of Hazardous Materials from their metals mining and smelting facilities. This action was consolidated with the Tribe's action, with the consolidated action referred to herein as the "Idaho Action." The only remaining non-Debtor defendant in the Idaho Action is Hecla Mining Co., Inc. ("Hecla").

The Idaho Court bifurcated the lawsuit and conducted a Phase I trial on liability and injury in 2001. At the conclusion of the Phase I trial, the Idaho Court ruled that the defendants, including ASARCO, were liable for response and natural resource damages in the Coeur d'Alene basin. The Idaho Court further ruled that the liability was divisible and not joint and several, with ASARCO liable for approximately 22% and Hecla liable for 31%. Phase II of the litigation was to determine the amount of response costs and natural resources damages for which the defendants are liable. The Phase II trial was set to commence on January 17, 2006.

On August 31, 2005, the Idaho Court issued a *sua sponte* order staying the Idaho Action as to ASARCO, subject to the right of the parties "to move to lift the stay for good cause shown, for the entry of any stipulation or order, or for any other purpose required to obtain a final determination of the litigation after the stay relating to the bankruptcy filing by Defendant ASARCO is lifted."

On September 13, 2005, the United States filed a Motion and Memorandum of Law for Declaration of Inapplicability of Automatic Stay, wherein it asked the Bankruptcy Court to issue a declaration that continuation of the Idaho Action through entry of a judgment is not subject to the automatic stay of section 362 of the Bankruptcy Code because it constitutes an exercise of the police and regulatory power, exempted from the automatic stay pursuant to section 362(b)(4) of the Bankruptcy Code. ASARCO and the ASARCO Committee filed responses in opposition to this motion. The Bankruptcy Court held a hearing on the motion on December 6, 2005, at which time the court took the matter under advisement. No ruling has been issued on the motion to date.

(d) Other Litigations Relating to Environmental Claims.

In addition to the Montana Litigation discussed in Section 2.25(b) above and the Coeur D'Alene Litigation discussed in Section 2.26(c) above, the Debtors are parties to dozens of lawsuits and other proceedings pending in federal and state courts around the country and relating to Environmental Claims. None are presently active.

2.27 Asset Valuation and Plan Exit Process.

In order to propose a plan of reorganization and exit bankruptcy, the Debtors need not only to determine their liabilities, but also to establish the value of their assets and provide forms of consideration acceptable to their Claimants. The Debtors submitted to the Bankruptcy Court at an April 11, 2007 hearing an exit process timeline (as subsequently updated) that describes the process and tentative timetable, developed by the Debtors' financial advisors Lehman Brothers Inc. ("Lehman Brothers") at the Debtors' request, to identify parties (including creditors, the Parent and third parties) interested in co-sponsoring a Debtor-proposed plan of reorganization, and to provide them access to the Debtors' information for the purpose of assessing plan alternatives. Implementation of this centrally coordinated and transparent process was intended to maximize the value of the Debtors' assets and govern the development of a viable plan. The exit process timeline was designed to allow the Debtors to systematically explore all exit options, while minimizing disruptions to their business operations and establishing a level playing field for any parties interested in participating in the process.

On April 27, 2007, in accordance with the exit process timeline, the Debtors distributed a background information document to potential plan sponsors. On June 11, 2007, ASARCO distributed a form of confidentiality agreement to potential plan sponsors. On June 19, 2007, the parties that had executed confidentiality agreements as of that time received a confidential information memorandum.

The Debtors and Lehman Brothers spent April, May and early June 2007 collecting information and populating the virtual data room to be utilized for due diligence. On June 19, 2007, Lehman Brothers opened the virtual data room, and the potential plan sponsors that executed confidentiality agreements were granted access to the data room.

Over the next several months, Lehman Brothers and members of ASARCO's management team provided due diligence support to interested parties so they would be positioned to submit indicative proposals in late August 2007, and by September 2007, nine indicative proposals had been received. In early September 2007, ASARCO and its advisors evaluated the strengths and weaknesses of the various proposals. Lehman Brothers communicated the analysis to ASARCO's board of directors and to the Creditor Constituents (*i.e.*, the Committees, the FCR, the DOJ, the State of Washington and the USW), and recommended that six of the parties that had submitted proposals proceed with on-site and management due diligence. The board and the Creditor Constituents agreed with the recommendation.

Since September 2007, Lehman Brothers maintained close communications with these bidders with respect to due diligence support and information about the plans to select a plan sponsor. In November 2007, Lehman Brothers alerted potential plan sponsors that ASARCO and its Creditor Constituents were considering an alternative for reorganization that did not involve a sale. In December 2007, and as a result of the mediation before Judge Magner, Lehman Brothers sent a letter to potential sponsors advising them that ASARCO would pursue a sale alternative and inviting them to re-engage in the due diligence and plan process. Lehman Brothers also followed up with other parties who had been contacted previously but had not registered an interest in making a proposal and similarly invited them to engage in the process.

During the process of the mediation before Judge Magner, which is also discussed above in Sections 2.19(b) and 2.20, ASARCO and its Creditor Constituents developed procedures for selecting the plan sponsor that will provide the highest value to the Debtors' Estates. These efforts culminated in the filing of a motion for approval of such procedures, as discussed in Section 2.28 herein.

2.28 Selection of a Plan Sponsor.

On March 18, 2008, the Court approved, on a preliminary basis, bid procedures for selecting a chapter 11 plan sponsor (the "Plan Sponsor Procedures"). The Plan Sponsor Procedures were designed to maximize the value of the assets of the Estates by encouraging bidders to submit qualifying bids in order to participate in a plan sponsor selection meeting and to increase their bids at the meeting relative to other competing bidders. By establishing guidelines for the process, the procedures were intended to advance the process to completion, maintain a level playing field among participants and promote healthy competition. The interim order approving the Plan Sponsor Procedures (the "Bid Procedures Order"), which the Bankruptcy Court entered on March 25, 2008, is attached hereto as **Exhibit Q-1**.

The deadline to submit bids was April 30, 2008. ASARCO received four Qualified Bids (as that term is defined in the Plan Sponsor Procedures).

On May 22 and 23, 2008, ASARCO conducted the meeting to select a plan sponsor (the "Plan Sponsor Selection Meeting") in the Dallas office of Baker Botts L.L.P. In attendance were approximately 130 people, including the Debtors, the Creditor Constituents, the four Qualified Bidders, the Examiner, and their respective advisors. Over the two-day meeting, ASARCO's legal and financial advisors conducted a series of rigorous negotiations with each of the bidders. On the morning of May 23, ASARCO informed each of the four Qualified Bidders that ASARCO would select a lead bid later that same day and provide 90 minutes from the announcement of any lead bid or subsequent lead bid, within which to submit a topping bid, failing which such lead bid would become the winning bid.

The Plan Sponsor Procedures provided that ASARCO and the Creditor Constituents and their advisors would consider "such matters as they deem appropriate including, without limitation," a list of twelve factors in evaluating the highest and best offer. *See* **Exhibit Q-1** (Bid Procedures Order, p. 11 ("Evaluation of Highest and Best Offer")). After considering Delaware law, relevant provisions of the Bankruptcy Code and other appropriate matters, and after considering each of the twelve factors set forth in the Plan Sponsor Procedures for evaluating the highest and best bid and other considerations as the board of directors of ASARCO in the exercise of its business judgment deemed appropriate, and after consulting with its legal and financial advisors and the Creditor Constituents and their legal and financial advisors, ASARCO's board of directors, in its business judgment, selected Sterlite as the lead bidder. ASARCO informed the other bidders that it selected Sterlite as the lead bid and gave them 90 minutes to top Sterlite's bid, but none did, with two of the three bidders exiting the building prior to the expiration of the 90 minute period. Thus, Sterlite emerged as the Successful Bidder (as such term is defined in the Bid Procedures Order) at the conclusion of the Plan Sponsor Selection Meeting.

On May 30, 2008, ASARCO's board of directors approved and authorized ASARCO to execute a purchase and sale agreement with the Plan Sponsor (the "Plan Sponsor PSA"). On May 30, 2008, ASARCO, together with AR Silver Bell, Inc. ("ARSB"), Copper Basin Railway, Inc. ("CBRI") and ASARCO Santa Cruz, Inc. ("Santa Cruz" and, together with ARSB and CBRI, the "Non-Debtor Sellers"), as Sellers, and Sterlite, as purchaser, and its parent Sterlite Industries (India) Ltd. signed the Plan Sponsor PSA, a copy of which is attached hereto as **Exhibit R**. Background information regarding the Plan Sponsor is attached hereto as **Exhibit S**.

On June 3, 2008, the Debtors filed a motion for final approval of bid protections in connection with the sale of the Sold Assets to Sterlite. The Bankruptcy Court conducted a hearing on this motion on June 12 and 13, 2008, and entered its Final Order Granting Motion of ASARCO LLC for an Order Approving (1) Bid Procedures in Connection with Selecting a Chapter 11 Plan Sponsor and Exit Transaction under a Chapter 11 Plan and (2) Bid Protections to Sterlite (USA), Inc. in Connection Therewith (the "Bid Protections Order") on July 1, 2008. A copy of the Bid Protections Order is attached hereto as **Exhibit Q-2**.

On July 2, 2008, the Parent and AMC filed a notice appeal from the Bid Protections Order, thereby initiating Civil Action No. 08-214 in the District Court.

The Plan Sponsor PSA provides for a sale of the Sold Assets "as is", "where is" and "with all faults" to Sterlite for $2.6 billion in Cash, subject to the Adjustment Payment (the "Purchase Price"). ASARCO will retain Cash on hand at Closing (estimated to be in excess of $1 billion). The Plan Sponsor shall also assume certain Liabilities, including, as discussed in section 3.8(g) below, the Assumed Environmental Liabilities. At the signing of the Plan Sponsor PSA, the Plan Sponsor posted a letter of credit issued by ABN AMRO Bank N.V. in the amount of $50 million. The letter of credit shall be drawn upon as a component of the Purchase Price or following termination of the Plan Sponsor PSA due to a material breach by Sterlite of any of its representations, warranties or covenants or other agreements thereunder (a "Purchaser Breach"). Alternatively, the letter of credit shall be cancelled without payment to the Sellers, if the agreement is terminated for any reason other than a Purchaser Breach. Section 11.3 of the Plan Sponsor PSA provides waivers and releases by the Plan Sponsor and the Plan Sponsor Parent.

The Plan Sponsor PSA contains the following deadlines:

- ASARCO must file a Plan and Disclosure Statement by August 1, 2008;
- The Bankruptcy Court must enter an order approving the Disclosure Statement by October 15, 2008 (which date may be extended until October 30, 2008 if the Plan Sponsor consents);
- The Confirmation Order must be entered by December 15, 2008 (which date may be extended until January 17, 2009 if the Plan Sponsor consents); and

- The Closing must occur by December 31, 2008 (which date may be extended until January 28, 2009 in certain circumstances).

If these deadlines are not met, the Plan Sponsor PSA may be terminated, pursuant to section 12.1 thereof.

Pursuant to section 7.10(a) of the Plan Sponsor PSA, ASARCO agreed that neither it nor any of its wholly-owned Subsidiaries nor any of their respective directors or officers would, directly or indirectly, solicit any Acquisition Proposal[10]; *provided*, *however*, that nothing shall prevent ASARCO or its board of directors from taking any of the following actions:

- complying with its obligations under Applicable Law with regard to an Acquisition Proposal; or

- (a) engaging in any negotiations or discussions with any Person who has made an unsolicited bona fide written Acquisition Proposal or (b) recommending an unsolicited Acquisition Proposal to the Creditor Constituents, if in the case of each of clause (a) and (b) above, the board of directors of ASARCO determines in good faith (after consultation with its legal and financial advisors and the Creditor Constituents) that (1) such action would be reasonably likely to be required in order to comply with its fiduciary duties under Applicable Law and (2) such Acquisition Proposal is a Superior Proposal or is likely to lead to a Superior Proposal.

A "Superior Proposal" is defined in the Plan Sponsor PSA as a bona fide written Acquisition Proposal that the board of directors of ASARCO determines (after consultation with its legal and financial advisors) in good faith:

- is reasonably likely to be consummated in a timely manner, taking into account all factors deemed relevant by the board of directors of ASARCO (including all legal, financial and regulatory aspects of the proposal and the Person making the proposal),

- if consummated would, taking into account all factors deemed relevant by the board of directors of ASARCO (including the Break-Up Fee (as defined below) that would be owed to Sterlite and the costs reasonably likely to be incurred in connection with the negotiation of an Acquisition Proposal), result in a transaction more favorable to ASARCO and its stakeholders than the transactions contemplated by the Plan Sponsor PSA and

- provides a Deemed Value[11] to ASARCO and its Estate that exceeds, by the Superior Proposal Threshold[12], the Deemed Value of the Plan Sponsor PSA and the transactions contemplated thereby.

Section 7.10(b) of the Plan Sponsor PSA provides that, notwithstanding anything therein to the contrary, the Sellers and their Subsidiaries and their respective officers, directors, employees, attorneys, investment bankers, accountants and other agents and representatives shall be permitted to (1) maintain and continue to provide access to the Data

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[10] An "Acquisition Proposal" is defined in the Plan Sponsor PSA as any proposal or offer for a merger, recapitalization, share exchange, debt-for-equity exchange, distribution of securities for the benefit of the stakeholders of ASARCO, consolidation or similar transaction involving a sale or purchase (directly or through a proposed investment in equity securities, debt securities or claims of creditors) of all or substantially all of the Sold Assets, or all or substantially all of the equity securities of ASARCO or of the Non-Debtor Sellers, other than the transactions contemplated by the terms of the Plan Sponsor PSA.

[11] "Deemed Value" is defined in the Plan Sponsor PSA to mean, in respect of the Purchase Price or a Superior Proposal, the aggregate dollar value to the Sellers of all cash and non-cash (as applicable) consideration comprising the Purchase Price or Superior Proposal, as applicable, as determined by the board of directors of ASARCO after consultation with its financial and legal advisors, the Creditor Constituents and such other advisors as the board of directors of ASARCO chooses, in its sole discretion, to consult.

[12] "Superior Proposal Threshold" is defined in the Plan Sponsor PSA to mean $77 million *(i.e.*, $25,000,000 plus the Break-Up Fee).

Room to Persons that have executed a confidentiality agreement with ASARCO prior to the date of the Plan Sponsor PSA and (2) respond to any inquiries from and provide access to the Data Room to Persons that have submitted a written bona fide (and unsolicited) Acquisition Proposal that ASARCO determines in good faith is a Superior Proposal (or is reasonably likely to lead to a Superior Proposal) and have executed a confidentiality agreement with ASARCO. No Seller, nor any of its Affiliates shall have any liability to the Plan Sponsor or the Plan Sponsor Parent, either under or relating to the Plan Sponsor PSA, the Ancillary Agreements[13] or any Applicable Law, by virtue of entering into or seeking Bankruptcy Court approval of a Superior Proposal or the definitive agreement for such Superior Proposal, in each case, in accordance with the terms of section 7.10 of the Plan Sponsor PSA, following the receipt of any Superior Proposal or except as provided in section 12.2 thereof upon termination of the Plan Sponsor PSA.

In the event that the board of directors of ASARCO determines (in accordance with section 7.10(a) of the Plan Sponsor PSA) to take any affirmative action to approve, or authorize negotiations of, a definitive agreement with respect to any Acquisition Proposal received by the Sellers after the date of the Plan Sponsor PSA, section 7.10(c) of the Plan Sponsor PSA requires the Sellers, as soon as practicable, to provide Sterlite with the material terms and conditions of such Acquisition Proposal.

Section 7.10(d) of the Plan Sponsor PSA gives Sterlite the right (a "Matching/Topping Right") within four Business Days after Sterlite receives a copy of the material terms and conditions of any Acquisition Proposal pursuant to section 7.10(c) thereof, to deliver to the Sellers an unconditional written offer to improve the terms and conditions contained in the Plan Sponsor PSA so long as the Deemed Value of such improved offer (which Deemed Value will include the value of the Break-Up Fee that would be owed to Sterlite if such Acquisition Proposal were accepted and consummated) is at least equal to the Deemed Value of such pending Acquisition Proposal. However, Sterlite has no obligation to exercise its Matching/Topping Right or to participate in any proceedings designed to elicit from Sterlite an equal or higher and better offer.

Pursuant to section 12.2(b)(v) of the Plan Sponsor PSA, Sterlite is entitled to a fee of $52 million (which is 2% of the unadjusted $2.6 billion purchase price) (the "Break-Up Fee") if:

- ASARCO terminates the Plan Sponsor PSA after the Bankruptcy Court approves a Superior Proposal or Stand-Alone Plan;[14]
- the Plan Sponsor terminates the Plan Sponsor PSA after ASARCO files a motion, disclosure statement or other document in the Bankruptcy Court that announces that the board of directors of ASARCO has decided to pursue, or otherwise seeks approval of, an Acquisition Proposal to be consummated between ASARCO and a Person other than Sterlite or its Affiliates;
- the Plan Sponsor terminates the Plan Sponsor PSA after ASARCO files a Stand-Alone Plan in the Bankruptcy Court; or
- the Plan Sponsor terminates the Plan Sponsor PSA after a Stand-Alone Plan is filed in the Bankruptcy Court by a third party and has been approved by the board of directors of ASARCO and is supported by ASARCO.

Sterlite shall have a first priority Administrative Claim against ASARCO in the amount of the Break-Up Fee. However, no Break-Up Fee is owed to Sterlite if:

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[13] "Ancillary Agreements" is defined in the Plan Sponsor PSA to mean the Assignment and Assumption Agreement, the Bill of Sale, the Transition Services Agreement, the Patent Assignment, the Trademark Assignment, the Deeds, the Leasehold Deeds and the Assignment and Assumption of Ground Lease Agreement (as such terms are defined in the Plan Sponsor PSA).

[14] A "Stand-Alone Plan" is defined in the Plan Sponsor PSA as a plan of reorganization sponsored by a Person other than the Plan Sponsor or the Plan Sponsor Parent which the board of directors of ASARCO determines (after consultation with its legal and financial advisors and the Creditor Constituents) in good faith would, if consummated and taking into account all factors deemed relevant by the board of directors of ASARCO, be more favorable to ASARCO and its stakeholders than the transactions contemplated by the Plan Sponsor PSA.

- Sterlite or the Plan Sponsor Parent has materially breached the Plan Sponsor PSA;

- Sterlite or the Plan Sponsor Parent has engaged in bad faith conduct with respect to the transactions contemplated by the Plan Sponsor PSA; or

- Sterlite or the Plan Sponsor Parent has violated in any material respect the provisions of the Bankruptcy Code, other Applicable Law or a final and non-appealable order of the Bankruptcy Court, in each case relating to the transactions contemplated by the Plan Sponsor PSA.

In the event the Plan Sponsor PSA is terminated by Sterlite pursuant to section 12.1(j)(x) thereof following the Sellers' breach of covenant, willful or intentional breach of representations or fraud, the Sellers shall reimburse Sterlite within two (2) Business Days of such termination for actual and documented expenses of Sterlite not to exceed the sum of $10 million. Sterlite shall have a first priority Administrative Claim against ASARCO in the amount of such expenses.

Pursuant to section 13.1(a) of the Plan Sponsor PSA, the Plan Sponsor Parent irrevocably, unconditionally and absolutely guarantees as a primary obligor and not as a surety, to the Sellers the full and timely payment and due and punctual performance and discharge of all of the Plan Sponsor's obligations under the Plan Sponsor PSA and the Ancillary Agreements existing on the date of the Plan Sponsor PSA or thereafter of any kind or nature whatsoever, including, without limitation, the due and punctual payment of the Purchase Price and any other amount that the Plan Sponsor is or may become obligated to pay pursuant to the Plan Sponsor PSA or the Ancillary Agreements (collectively, the "Obligations"). This guarantee is an unconditional, irrevocable and absolute guaranty of timely payment and performance of the Obligations and not merely of collection. If for any reason whatsoever the Obligations shall not be fully and timely paid or performed, the Plan Sponsor Parent shall promptly honor and perform its obligations to the Sellers upon demand. Pursuant to section 14.7(a) of the Plan Sponsor PSA, the Plan Sponsor and the Plan Sponsor Parent agreed to submit to the jurisdiction of the Bankruptcy Court for, among other things, enforcement of the Plan Sponsor PSA.

Pursuant to section 13.1(g) of the Plan Sponsor PSA, section 13.1 thereof (the Plan Sponsor Parent guarantee provision) shall survive the Closing and shall remain in full force and effect. Moreover, the Plan Sponsor Parent has agreed to indemnify and hold the Sellers harmless from and against and to pay all out-of-pocket costs and expenses (including, without limitation, reasonable legal fees and expenses) incurred by or on behalf of the Sellers in connection with the collection and/or enforcement of the Plan Sponsor Parent's obligations under section 13.1.

Section 10.1 of the Plan Sponsor PSA provides that the respective obligations of the Sellers, the Plan Sponsor and the Plan Sponsor Parent to consummate the transactions contemplated by the Plan Sponsor PSA are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions:

- The Bankruptcy Court shall have approved and entered the Confirmation Order, and the Confirmation Order shall have become an Effective Order;

- Any waiting period (including any extension thereof) applicable to the sale to and purchase by the Plan Sponsor of the Sold Assets under the HSR Act or under the regulations of any other applicable governmental antitrust or competition authority, where failure to comply with such regulations would prohibit the consummation of the transactions contemplated by the Plan Sponsor PSA, shall have been terminated or expired;

- No final and non-appealable order issued by any court of competent jurisdiction preventing the consummation of the transactions contemplated thereby shall be in effect; and

- All conditions precedent to the effectiveness of the Plan (other than the Closing) shall have been satisfied or waived by the relevant parties.

Section 10.2 of the Plan Sponsor PSA provides that the obligations of Plan Sponsor and the Plan Sponsor Parent to consummate the transactions contemplated thereby are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by the Plan Sponsor or the Plan Sponsor Parent, in whole or in part, subject to Applicable Law):

- All of the representations and warranties of the Sellers contained in the Plan Sponsor PSA shall be true and correct on and as of the Closing Date, except those representations and warranties of the Sellers that speak of a certain date, which representations and warranties shall have been true and correct as of such date; *provided*, *however*, that this condition shall be deemed to have been satisfied so long as any failure of such representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to result in a Seller Material Adverse Effect (as such term is defined in the Plan Sponsor PSA), ignoring solely for purposes of the satisfaction of section 10.2(a) of the Plan Sponsor PSA any reference to Seller Material Adverse Effect or other materiality qualifiers contained in such representations and warranties;

- The Sellers shall have performed, in all material respects, all obligations required by the Plan Sponsor PSA to be performed by the Sellers on or prior to the Closing Date; and

- The Plan Sponsor and the Plan Sponsor Parent shall have been furnished with the deliveries referred to in section 4.2 of the Plan Sponsor PSA.

Section 10.3 of the Plan Sponsor PSA provides that the obligations of the Sellers to consummate the transactions contemplated thereby are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions (any or all of which may be waived by the Sellers, in whole or in part, subject to Applicable Law):

- All of the representations and warranties of the Plan Sponsor and the Plan Sponsor Parent contained herein shall be true and correct on and as of the Closing Date, except those representations and warranties of the Plan Sponsor and the Plan Sponsor Parent that speak of a certain date, which representations and warranties shall have been true and correct as of such date; *provided*, *however*, that this condition shall be deemed to have been satisfied so long as any failure of such representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to prevent, impede or materially delay or otherwise affect in any material respect the transactions contemplated by the Plan Sponsor PSA ignoring solely for purposes of the satisfaction of section 10.3(a) thereof any materiality qualifiers contained in such representations and warranties;

- The Plan Sponsor and the Plan Sponsor Parent shall have performed, in all material respects, all obligations required by the Plan Sponsor PSA to be performed by them on or prior to the Closing Date;

- The Sellers shall have been furnished with the deliveries referred to in section 4.3 of the Plan Sponsor PSA; and

- The consents and waivers set forth in sections 5.3(a) and 5.3(b) of the Disclosure Schedule shall have been obtained.

Section 12.1 of the Plan Sponsor PSA governs termination of the agreement. It provides that the agreement may be terminated prior to the Closing Date as follows:

- By the mutual written consent of the Sellers and Sterlite;

- By the Sellers if the Confirmation Order has not been entered on or before December 15, 2008 (or such later date, which in no event will be later than January 17, 2009, if requested by the Sellers and consented to by the Plan Sponsor, which consent may not be unreasonably delayed or denied) (the "Confirmation Deadline"); *provided*, *however*, that the Sellers shall not be permitted to terminate the Plan Sponsor PSA under section 12.1(b) thereof if (a) the failure by the Sellers to fulfill any obligation under such agreement has been the primary cause of the Confirmation Order not having been entered on or before the Confirmation Deadline or (b) the Confirmation Order not having been entered is caused primarily by a breach by the Sellers of any covenant or obligation in the Plan Sponsor PSA required to be performed by the Sellers or the inaccuracy of any representation or warranty of the Sellers made therein;

- By the Sellers if the Closing has not occurred on or before December 31, 2008 (or such later date, which in no event will be later than January 28, 2009 if, notwithstanding ASARCO's exercise of good faith best efforts, the failure of Closing to occur on or prior to December 31, 2008 is due to circumstances or events beyond ASARCO's control, including any delays or failures caused by actions or omissions by the Plan Sponsor or its Affiliates or any third party not under ASARCO's control or responsibility (the "Termination Date"); *provided*, *however*, that the Sellers shall not be permitted to terminate the Plan Sponsor PSA under section 12.1(c) thereof if (a) the failure by the Sellers to fulfill any obligation under such agreement has been the primary cause of the failure of such consummation to occur on or before the Termination Date or (b) the failure of the Closing to occur is caused primarily by a breach by the Sellers of any covenant or obligation in the Plan Sponsor PSA required to be performed by the Sellers or the inaccuracy of any representation or warranty of the Sellers made therein;

- By the Sellers, at any time after the Bankruptcy Court approves a Superior Proposal, or by Sterlite, upon filing by ASARCO of a motion, disclosure statement or any other document in the Bankruptcy Court that announces that the board of directors of ASARCO has decided to pursue, or otherwise seeks approval of, an Acquisition Proposal to be consummated between ASARCO and a Person other than Sterlite or its Affiliates;

- By the Sellers, at any time after the Bankruptcy Court approves a Stand-Alone Plan, or by Sterlite, upon (a) the filing of a Stand-Alone Plan in the Bankruptcy Court by the Sellers or (b) the filing of a Stand-Alone Plan in the Bankruptcy Court by a third-party and such plan has been approved by the board of directors of ASARCO and is supported by ASARCO.

- By Sterlite if the Confirmation Order has not been entered on or before the Confirmation Deadline; *provided*, *however*, that Sterlite shall not be permitted to terminate the Plan Sponsor PSA under section 12.1(f) thereof if (a) the failure by Sterlite or the Plan Sponsor Parent to fulfill any obligation under such agreement has been the primary cause of the Confirmation Order not having been entered on or before the Confirmation Deadline or (b) the Confirmation Order not having been entered is caused primarily by a breach by Sterlite or the Plan Sponsor Parent of any covenant or obligation in the Plan Sponsor PSA required to be performed by Sterlite or the Plan Sponsor Parent or the inaccuracy of any representation or warranty of Sterlite or the Plan Sponsor Parent made therein;

- By Sterlite if the Closing has not occurred on or before the Termination Date; *provided*, *however*, that Sterlite shall not be permitted to terminate the Plan Sponsor PSA under section 12.1(g) thereof if (a) the failure by Sterlite or the Plan Sponsor Parent to fulfill any obligation under such agreement has been the primary cause of the failure of such consummation to occur on or before the Termination Date or (b) the failure of the Closing to occur is caused primarily by a breach by Sterlite or the Plan Sponsor Parent of any covenant or obligation in the Plan Sponsor PSA required to be performed by Sterlite or the Plan Sponsor Parent or the inaccuracy of any representation or warranty of Sterlite or the Plan Sponsor Parent made therein;

- By Sterlite (provided that neither Sterlite nor the Plan Sponsor Parent is in material breach of any representation, warranty or covenant or other agreement contained in the Plan Sponsor PSA) if: (a) the Bid Protections Order shall not have been entered on or prior to the 30th day following the date on which the motion seeking entry of the Bid Protections Order was filed with the Bankruptcy Court; (b) ASARCO shall not have filed with the Bankruptcy Court the Plan and Disclosure Statement on or prior to August 1, 2008; or (c) the Bankruptcy Court shall not have entered an order approving the Disclosure Statement on or prior to October 15, 2008 (or such later date, which in no event will be later than October 30, 2008, if requested by the Sellers and consented to be the Plan Sponsor, which consent may not be unreasonably delayed or denied);

- By Sterlite upon the conversion of ASARCO's bankruptcy case to a case under chapter 7 of the Bankruptcy Code;

- By Sterlite, if there shall be a breach by the Sellers of any representation, warranty or covenant contained in the Plan Sponsor PSA which would result in a failure of a condition to Sterlite's and the Plan Sponsor Parent's obligation to close set forth in section 10.2(a) or 10.2(b) thereof to be satisfied, which breach has not been cured by the earlier of (a) 60 days after the giving of written notice by Sterlite to the Sellers of such breach and (b) the Termination Date; or

- By the Sellers, if there shall be a breach by Sterlite of any representation, warranty or covenant contained in the Plan Sponsor PSA which would result in a failure of a condition to the Sellers' obligation to close set forth in section 10.3(a) or 10.3(b) thereof to be satisfied, which breach has not been cured by the earlier of (a) 60 days after the giving of written notice by the Sellers to Sterlite of such breach and (b) the Termination Date; and

- By either the Sellers or Sterlite, if there shall be any final and non-appealable order entered by a Governmental Authority of competent jurisdiction having valid enforcement authority permanently restraining, prohibiting or enjoining the Sellers or Sterlite from consummating the transactions contemplated by the Plan Sponsor PSA.

Section 12.2 of the Plan Sponsor PSA addresses the effect of a termination of the agreement. Pursuant thereto, if the Plan Sponsor PSA is terminated pursuant to section 12.1 thereof:

- Except as otherwise provided in sections 3.2 and 12.2(b)(v) of the Plan Sponsor PSA, such termination shall be the sole and exclusive remedy of Sterlite and the Plan Sponsor Parent with respect to breaches by any Seller of any covenant, representation or warranty contained in such agreement[15] and none of the Sellers nor any of their respective trustees, directors, officers or Affiliates, as the case may be, shall have any liability or further obligation to Sterlite or the Plan Sponsor Parent or any of their respective trustees, officers or Affiliates, as the case may be, and each Seller (and their respective trustees, directors, officers or Affiliates, as the case may be) shall be fully released and discharged from any liability or obligation under or resulting from the Plan Sponsor PSA and neither Sterlite nor the Plan Sponsor Parent shall have any other remedy or cause of action under or relating to such agreement or any Applicable Law, including, without limitation, for reimbursement of expenses;

- The Sellers shall have all rights and remedies existing at law or in equity and shall have the right to pursue all legal and equitable remedies that may be available to the Sellers, at law or in equity; and in any successful action for damages, the Sellers shall be entitled to recover their demonstrated legal damages, which shall not be limited to out-of-pocket costs in pursuing the transaction contemplated by the Plan Sponsor PSA;

- All filings, applications and other submissions made pursuant to the Plan Sponsor PSA, to the extent practicable, shall be withdrawn from the agency or other Person to which they were made;

- All Evaluation Material (as defined in the Confidentiality Agreement) shall be returned to ASARCO;

- In the event that the Plan Sponsor PSA is terminated pursuant to sections 12.1(d) or (e) thereof, the Sellers shall pay to Sterlite, simultaneously with and as a condition to such termination, the Break-Up Fee; and

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[15] It should be noted that section 14.2 of the Plan Sponsor PSA provides that prior to any termination thereof pursuant to section 12.1 of the Plan Sponsor PSA, in addition to any other right or remedy to which each party may be entitled, at law or in equity, it shall be entitled to enforce any provision of the Plan Sponsor PSA by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any provision of the Plan Sponsor PSA, without posting any bond or other undertaking.

- In the event that the Plan Sponsor PSA is terminated pursuant to section 12.1(j)(x) thereof following the Sellers' breach of covenant, willful or intentional breach of representations or fraud, the Sellers shall reimburse Sterlite its actual documented expenses (not to exceed the sum of $10 million).

However, notwithstanding section 12.2(b) of the Plan Sponsor PSA, the obligations of Sterlite and the Plan Sponsor Parent under the Confidentiality Agreement and the obligations of the parties under sections 3.2, 7.5, 7.6, 12.2, 14.4, 14.6, 14.7, 14.8, 14.11, 14.13, and 14.14, the last two sentences of section 7.1, and Articles XI and XIII of the Plan Sponsor PSA shall remain in full force and effect.

2.29 Additional Information.

Additional information and copies of key documents and notices can be obtained at no cost at the Debtors' restructuring information website: *www.asarcoreorg.com*. Please check the restructuring website regularly for updates on the status of the Reorganization Cases.

SECTION 3
SUMMARY OF THE PROPOSED PLAN

3.1 General.

The following is a summary of certain key provisions of the Plan. Before voting, holders of Claims and Interests that are entitled to vote on the Plan are referred to, and encouraged to review, the relevant provisions of the Plan, Plan Documents, and Bankruptcy Code carefully since their rights could be affected. They also are encouraged to review the Plan and this Disclosure Statement with their counsel or other advisors. Note that other provisions of the Plan not summarized in this section 3 may be summarized elsewhere in this Disclosure Statement.

3.2 Classification.

(a) Generally. In accordance with section 1122 of the Bankruptcy Code, Claims and Interests, other than Administrative Claims and Priority Tax Claims, will be divided in Classes and receive such treatment as described below. Administrative Claims and Priority Tax Claims will be treated as set forth in Article II of the Plan.

(b) Classes. Claims against, and Interests in, the Debtors are grouped in the following Classes for purposes of the Plan in accordance with section 1122(a) of the Bankruptcy Code:

(1) Class 1 – Priority Claims. Class 1 consists of all Priority Claims against the Debtors. This Class is unimpaired.

(2) Class 2 – Secured Claims. Class 2 consists of all Secured Claims against the Debtors. This Class is unimpaired if Reinstated and impaired if Paid in Full.

(3) Class 3 – Trade and General Unsecured Claims. Class 3 consists of all Trade and General Unsecured Claims against the Debtors. This Class is impaired.

(4) Class 4 – Bondholders' Claims. Class 4 consists of all Bondholders' Claims against the Debtors. This Class is unimpaired if Reinstated and impaired if Paid in Full.

(5) Class 5 – Unsecured Asbestos Personal Injury Claims. Class 5 consists of all Unsecured Asbestos Personal Injury Claims against the Debtors. This Class is impaired.

(6) Class 6 – Toxic Tort Claims. Class 6 consists of all Toxic Tort Claims against the Debtors. This Class is impaired.

(7) Class 7 – Previously Settled Environmental Claims. Class 7 consists of all Previously Settled Environmental Claims against the Debtors. This Class is impaired.

(8) Class 8 – Miscellaneous Federal and State Environmental Claims. Class 8 consists of all Miscellaneous Federal and State Environmental Claims against the Debtors. This Class is impaired.

(9) Class 9 – Residual Environmental Claims. Class 9 consists of all Residual Environmental Claims against the Debtors. This Class is impaired.

(10) Class 10 – Late-Filed Claims. Class 10 consists of all Late-Filed Claims against the Debtors. This Class is impaired.

(11) Class 11 – Subordinated Claims. Class 11 consists of all Subordinated Claims against the Debtors. This Class is impaired.

(12) Class 12 – Interests in ASARCO. Class 12 consists of all Interests in ASARCO. This Class is impaired.

(13) Class 13 – Interests in the Asbestos Subsidiary Debtors. Class 13 consists of all Interests in the Asbestos Subsidiary Debtors. This Class is impaired.

(14) Class 14 – Interests in the Other Subsidiary Debtors. Class 14 consists of all Interests in the Other Subsidiary Debtors. This Class is impaired.

3.3 Treatment of Administrative Claims, Priority Tax Claims and Demands.

(a) Administrative Claims.

Claims that are entitled to administrative priority under section 503 of the Bankruptcy Code are treated under Article 2.1 of the Plan. Under that provision, each holder of an Allowed Administrative Claim (except any holder that agrees to other, lesser treatment) shall receive the Allowed Amount of such holder's Administrative Claim, in Cash, in full satisfaction, settlement, release, extinguishment, and discharge of such Claim, on the Effective Date; *provided*, *however*, that (1) Allowed Administrative Claims representing (A) postpetition liabilities incurred in the ordinary course of business by a Debtor and (B) postpetition contractual liabilities arising under loans or advances to any Debtor, whether or not incurred in the ordinary course of business, shall be paid in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreements relating thereto, and (2) the Administrative Claims of Professional Persons shall be paid pursuant to order of the Bankruptcy Court; and *further provided* that all Assumed Liabilities shall be paid by the Plan Sponsor.

Chase shall receive the Allowed Amount of any Administrative Claim under the Credit Facility discussed in Section 2.15(b) above, in Cash, on the Effective Date, in full satisfaction, settlement, release, extinguishment and discharge of such Claim.

Any Administrative Claims of the United States or the States under civil Environmental Laws relating to the Designated Properties shall be addressed through the Environmental Custodial Trust Settlement Agreements, the Environmental Custodial Trust Funding and the Environmental Custodial Trust Administration Funding to be paid by ASARCO to the Environmental Custodial Trusts pursuant to the Plan.

The Settling Asbestos Insurance Companies shall each have an Allowed Administrative Claim for the Pre-524(g) Indemnity (as such term is defined in the Asbestos Settlement Agreement), in accordance with the terms and conditions of the Asbestos Insurance Settlement Agreement. The Asbestos Insurance Settlement Agreement provides that until a Confirmation Order providing for an Asbestos Insurance Company Injunction has become a Final Order, ASARCO shall indemnify and hold harmless the Settling Asbestos Insurance Companies in respect of any and all Claims arising under or relating in any way to the Subject Insurance Policies (as such term is defined in the Asbestos Insurance Settlement Agreement) or other Insurance Rights (as such term is defined in the Asbestos Insurance Settlement Agreement), including, without limitation, all Claims, whether by way of direct action or otherwise, made by third parties to the Asbestos Insurance Settlement Agreement, including, without limitation:

- other insurers of ASARCO (*provided*, *however*, that if Winterthur Swiss Insurance Company ("Winterthur Swiss") makes a claim for contribution against the Settling Asbestos Insurance

Companies, then ASARCO shall be obligated to indemnify the Settling Asbestos Insurance Companies only for any amounts in excess of Winterthur Swiss's policy limits);

- any Person claiming to be insured under the Subject Insurance Policies;
- any Person who has made, will make, or can make a Claim;
- any Person who has acquired or been assigned the right to make a Claim under the Subject Insurance Policies or other Insurance Rights;
- any Person asserting direct action rights under the Subject Insurance Policies or other Insurance Rights, including, without limitation, Persons with asbestos- or silica-related Claims against ASARCO; or
- any federal, state or local government or any political subdivision, agency, department, board or instrumentality thereof, including, without limitation, the State of Minnesota pursuant to the Minnesota Landfill Cleanup Act, Minn. Stat. § 115B.39 *et seq*. or the Minnesota Insurance Recovery Act of 1996, Minn. Stat. § 115B.441 *et seq*.

Because the Plan provides for the Asbestos Insurance Company Injunction, the Debtors do not believe that any payments will be required on the Pre-524(g) Indemnity and are therefore not reserving any funds in connection with this Claim.

(b) Priority Tax Claims.

Article 2.2 of the Plan provides for treatment of Allowed Priority Tax Claims. Under Article 2.2, each holder of an Allowed Priority Tax Claim (except any holder that agrees to other, lesser treatment) shall be Paid in Full, in full satisfaction, settlement, release, extinguishment, and discharge of such Claim, on the Effective Date.

(c) Future Asbestos Demands.

Article 2.3 of the Plan provides treatment for future asbestos Demands. Under Article 2.3, Demands shall be included in the treatment accorded Class 5 Unsecured Asbestos Personal Injury Claims, as set forth in Articles 4.1 and 4.2(e) of the Plan, and shall be determined, processed, liquidated and paid pursuant to the terms and conditions of the Asbestos TDP and the Asbestos Trust Agreement.

3.4 Treatment of Claims and Interests.

Article IV of the Plan sets forth the treatment to be provided each of the Classes of Claims and Interests under the Plan. The following is a summary of the treatment being provided under the Plan to each Class:

(a) Class 1 – Priority Claims.

(1) Voting Rights.

Class 1 is unimpaired by the Plan. Class 1 is conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code and is not being asked to vote to accept or reject the Plan.

(2) Treatment Under the Plan.

Class 1 Priority Claims are treated in Article 4.2(a) of the Plan. On the Effective Date, or, if later, the date or dates that such Priority Claim becomes due in the ordinary course, each holder of an Allowed Priority Claim (except any holder that agrees to other, lesser treatment) shall be Paid in Full, in full satisfaction, settlement, release, extinguishment, and discharge of such Claim.

(b) Class 2 – Secured Claims.

(1) Voting Rights.

The voting rights of Class 2 depend upon the Debtors' election. The Debtors shall make their election prior to the Confirmation Hearing. The Debtors will solicit the votes of each sub-Class of Secured Claims. If the Debtors elect to Reinstate the Claim of a particular sub-Class, that sub-Class will be unimpaired, and the Sub-Class's vote will not be counted. If the Debtors elect the "Paid in Full" option as to a particular sub-Class, that sub-Class will be impaired, and that sub-Class's vote will be counted.

(2) Treatment Under the Plan.

Class 2 Secured Claims are treated in Article 4.2(b) of the Plan. Each holder of an Allowed Secured Claim shall, at the election of the Debtors either (A) be Paid in Full, on the later of the Effective Date or the date or dates that such Secured Claim becomes due in the ordinary course, or (B) be Reinstated, on the Effective Date, in full satisfaction, settlement, release, extinguishment, and discharge of such Claim.

The Secured Claims of the United States relating to the East Helena, Montana facility and the Globe, Colorado facility, and any Secured Claims relating to the Prepetition ASARCO Environmental Trust shall be satisfied by having the holders of such Claims retain the Liens securing such Claims, unless a holder agrees to different treatment. In addition, upon the Effective Date, the causes of action asserted by the Debtors against the United States of America on behalf of the EPA, the Department of Agriculture, the Department of the Interior and the International Boundary and Water Commission in Adversary Proceeding No. 07-02076 (and only those causes of action) shall be dismissed without prejudice.

Each Secured Claim shall be deemed to be in a separate sub-Class of Class 2 for all purposes under the Plan. **Exhibit 16** to the Plan lists the Class 2 Secured Claims (as such list may be amended, supplemented or modified up to and including the Confirmation Date).

(c) Class 3 – Trade and General Unsecured Claims.

(1) Voting Rights.

Class 3 is impaired by the Plan. Class 3 is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 3 Trade and General Unsecured Claims are treated in Article 4.2(c) of the Plan. Each holder of an Allowed Trade and General Unsecured Claim (except any holder that agrees to other, lesser treatment) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid, in full satisfaction, settlement, release, extinguishment and discharge of such Claim.

(d) Class 4 – Bondholders' Claims.

(1) Voting Rights.

The voting rights of Class 4 depend upon the Debtors' election. The Debtors shall make their election prior to the Confirmation Hearing. The Debtors will solicit the votes of the Bondholders. If the Debtors elect to Reinstate the Bondholders' Claims, this Class will be unimpaired, and the Bondholders' votes will not be counted. If the Debtors elect the Cash payment option, this Class will be impaired, and the Bondholders' votes will be counted.

(2) Treatment Under the Plan.

Class 4 Bondholders' Claims are treated in Article 4.2(d) of the Plan. Each holder of an Allowed Bondholders' Claim, at the option of the Debtors, (1) shall be Reinstated or (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid, in full satisfaction, settlement, release, extinguishment and discharge of such Claim.

(e) Class 5 – Unsecured Asbestos Personal Injury Claims.

(1) Voting Rights.

Class 5 is impaired. Each holder of an Unsecured Asbestos Personal Injury Claim is being asked to vote to accept or reject the Plan under sections 524(g) and 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 5 Unsecured Asbestos Personal Injury Claims are treated in Article 4.2(e) of the Plan. On the Effective Date, liability of all of the Debtors for all Unsecured Asbestos Personal Injury Claims and Demands shall be assumed by, and channeled to, the Asbestos Trust without further act or deed and satisfied as set forth in the Plan.

All Unsecured Asbestos Personal Injury Claims and Demands shall be processed, liquidated and paid pursuant to the terms and provisions of the Asbestos TDP and the Asbestos Trust Agreement. The Asbestos Trust is described in Section 6 below. The sole recourse of the holder of an Unsecured Asbestos Personal Injury Claim or Demand shall be the Asbestos Trust and the Asbestos TDP, and such holder shall have no rights whatsoever at any time to assert such holder's Claim against any Debtor, Reorganized Debtor, or ASARCO Protected Party. Without limiting the foregoing, on the Effective Date, all Persons shall be permanently and forever stayed, restrained and enjoined from taking any enjoined actions against any ASARCO Protected Party (or the property or interest in property of any ASARCO Protected Party) for the purpose of, directly or indirectly, collecting, recovering, or receiving payment of, on or with respect to any Unsecured Asbestos Personal Injury Claim or Demand.

(i) *Class 5A – Asbestos Premises Liability Claims.*

The Asbestos Trust shall create an Asbestos Premises Liability Claims Fund for payment of Asbestos Premises Liability Claims and Demands. The Asbestos Premises Liability Claims Fund shall be funded with, directly or indirectly: (a) proceeds from certain Asbestos Insurance Policies that are subject to prepetition settlement agreements regarding Asbestos Premises Liability Claims and Demands , and the rights thereunder will be transferred to the Asbestos Trust as of the Effective Date in accordance with Article 8.3 of the Plan; (b) additional proceeds, if any, from the Asbestos Insurance Recoveries that are applicable to Asbestos Premises Liability Claims and Demands; and (c) a percentage of the Asbestos Trust Assets that are set aside by the Asbestos Trustees for the Asbestos Personal Injury Claims Fund, as described in Article 4.2(e)(2) of the Plan. The exact percentage is to be determined by the Asbestos Trustees, in their sole discretion, but should be no less than the percentage, if any, of the Asbestos Premises Liability Claims and Demands that are not subject to coverage under the prepetition settlement agreements referenced herein. Class 5A Claims and Demands shall be processed, liquidated and paid pursuant to the terms and provisions of the Asbestos TDP and the Asbestos Trust Agreement.

(ii) *Class 5B – Unsecured Asbestos Personal Injury Claims other than Asbestos Premises Liability Claims.*

The Asbestos Trust shall create an Asbestos Personal Injury Claims Fund for payment of all Unsecured Asbestos Personal Injury Claims and Demands other than Asbestos Premises Liability Claims and Demands. The Asbestos Personal Injury Claims Fund shall be funded with (a) the Asbestos Trust's share of the Class 5 and Class 9 Principal Payment; (b) the Asbestos Trust's share of the Class 5 and

Class 9 Supplemental Distribution (if any); (c) directly or indirectly, the Asbestos Insurance Recoveries other than those specified in Article 4.2(e)(1) of the Plan; (d) the Asbestos Trust's share of the Litigation Trust Interests, and the right to the Asbestos Trust's Priority Litigation Proceeds; and (e) 100% of the interests in Reorganized Covington. Class 5B Claims and Demands shall be processed, liquidated and paid pursuant to the terms and provisions of the Asbestos TDP and the Asbestos Trust Agreement. A Claimant may assert separate Claims and Demands against the Asbestos Premises Liability Claims Fund and the Asbestos Personal Injury Claims Fund based on separate products and/or premises Claims and Demands against the Debtors; *provided*, *however*, that the amounts paid by the Asbestos Premises Liability Claims Fund on a Claimant's Class 5A Asbestos Premises Liability Claim or Demand shall reduce the amount of that Claimant's Class 5B Claim or Demand..

See Section 6 of this Disclosure Statement for more information about the Asbestos Trust, including additional information regarding the Asbestos TDP.

In connection with funding of the Asbestos Trust, Article 12.3 of the Plan provides for issuance of Injunctions that will permanently enjoin further pursuit of Unsecured Asbestos Personal Injury Claims from whatever source against an ASARCO Protected Party. These Injunctions are discussed in greater detail in Section 3.10 of this Disclosure Statement.

(f) Class 6 – Toxic Tort Claims.

(1) Voting Rights.

Class 6 is impaired. Class 6 is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 6 Toxic Tort Claims are treated in Article 4.2(f) of the Plan. On the Effective Date, each holder of an Allowed Toxic Tort Claim (except any holder that agrees to other, lesser treatment) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid, in full satisfaction, settlement, release, extinguishment, and discharge of such Claim.

(g) Class 7 – Previously Settled Environmental Claims.

(1) Voting Rights.

Class 7 is impaired. Class 7 is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 7 Previously Settled Environmental Claims are treated in Article 4.2(g) of the Plan. Each holder of an Allowed Previously Settled Environmental Claim (except any holder that agrees to other, lesser treatment) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid, in full satisfaction, settlement, release, extinguishment and discharge of such Claim against the Debtors as provided in the settlement agreement relating to such Claim.

(h) Class 8 – Miscellaneous Federal and State Environmental Claims.

(1) Voting Rights.

Class 8 is impaired. Class 8 is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 8 Miscellaneous Federal and State Environmental Claims are treated in Article 4.2(h) of the Plan. Each holder of an Allowed Miscellaneous Federal and State Environmental Claim (except any holder that agrees to other, lesser treatment and as otherwise provided herein) (1) shall, on the Effective Date, be paid the Allowed Amount of such holder's Claim, in Cash, and (2) shall, on or after the Effective Date, be paid the Pro Rata Post-Petition Interest Payment out of (A) any Available Plan Funds after the Class 5 and Class 9 Principal Payment is paid in its entirety and (B) the Class 3, 4, 6, 7 and 8 Litigation Proceeds (if any), until the Pro Rata Post-Petition Interest Payment is fully paid, in full satisfaction, settlement, release, extinguishment and discharge of such Claim against the Debtors as provided in the Miscellaneous Federal and State Environmental Settlement Agreement relating to such Claim, attached to the Plan as **Exhibit 12-B** and incorporated therein.

The Class 8 Claims of the State of Texas relating to the El Paso County Metals site shall be disallowed by Confirmation of the Plan.

(i) Class 9 –Residual Environmental Claims.

(1) Voting Rights.

Class 9 is impaired. Each holder of a Residual Environmental Claim is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 9 Residual Environmental Claims are treated in Article 4.2(j) of the Plan. Each holder of an Allowed Residual Environmental (or with respect to the Coeur d'Alene Basin site in Idaho, the United States and the Environmental Custodial Trust for that site for which the United States is the legal beneficiary, as provided in the Residual Environmental Settlement Agreement) shall receive (a) such holder's share of the Class 5 and Class 9 Principal Payment; (b) such holder's share of the Class 5 and Class 9 Supplemental Distribution (if any); and (c) such holder's share of the Litigation Trust Interests (provided that the Litigation Proceeds shall first be paid to satisfy the Class 3, 4, 6, 7 and 8 Litigation Proceeds and the Asbestos Trust's Priority Litigation Proceeds), in full satisfaction, settlement, release, extinguishment and discharge of such Claim against the Debtors as provided in the Residual Environmental Settlement Agreement relating to such Claims, attached to the Plan as **Exhibit 12-C** and incorporated herein. The respective shares for each Allowed Residual Environmental Claim are set forth in the Residual Environmental Settlement Agreement.

(j) Class 10 – Late-Filed Claims.

(1) Voting Rights.

Class 10 is impaired. Each holder of a Late-Filed Claim is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 10 Late-Filed Claims are treated in Article 4.2(k) of the Plan. Each holder of an Allowed Late-Filed Claim (except any holder that agrees to other, lesser treatment) shall, to the extent of any Available Plan Funds remaining after the Class 5 and Class 9 Supplemental Distribution has been paid in

its entirety, be Paid in Full or receive a pro rata distribution of any such Available Plan Funds, in full satisfaction, settlement, release, extinguishment and discharge of such Claim against the Debtors. If the remaining Available Plan Funds are not sufficient to permit all such Claims to be Paid in Full, each such holder shall receive a pro rata distribution on the amount of such holder's Claim as provided in a settlement agreement establishing the amount of the Allowed Late-Filed Claim or a Final Order adjudicating the amount of the Allowed Late-Filed Claim. If Available Plan Funds remain after such payment, each holder shall receive a pro rata distribution of Post-Petition Interest. Such distributions shall be made within 60 days after the Plan Administrator determines that funds are available to make a distribution.

(k) Class 11 – Subordinated Claims.

(1) Voting Rights.

Class 11 is impaired. Each holder of a Subordinated Claim is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 11 Subordinated Claims are treated in Article 4.2(l) of the Plan. To the extent of any Available Plan Funds remaining after the Class 11 Late-Filed Claims are Paid in Full, each holder of an Allowed Subordinated Claim (except any holder that agrees to other, lesser treatment) shall be Paid in Full or receive a pro rata distribution of any such Available Plan Funds, in full satisfaction, settlement, release, extinguishment and discharge of such Claim. If the remaining Available Plan Funds are not sufficient to permit all such Claims to be Paid in Full, each such holder shall receive a pro rata distribution on the Allowed Amount of such holder's Claim. If Available Plan Funds remain after such payment, each holder shall receive a pro rata distribution of Post-Petition Interest. Such distribution shall be made within 60 days after the Plan Administrator determines that funds are available to make a distribution.

(l) Class 12 – Interests in ASARCO.

(1) Voting Rights.

Class 12 is impaired. Each holder of a Class 12 Interest is being asked to vote to accept or reject the Plan under section 1126 of the Bankruptcy Code.

(2) Treatment Under the Plan.

Class 12 Interests in ASARCO are treated in Article 4.2(m) of the Plan. The Interests in ASARCO shall be cancelled, and the holder of such Interests shall receive any Available Plan Funds after the Class 11 Subordinated Claims have been Paid in Full.

(m) Class 13 – Interests in Asbestos Subsidiary Debtors.

(1) Voting Rights.

Class 13 is impaired. Class 13 is conclusively presumed to have rejected the Plan under section 1126(g) of the Bankruptcy Code and is not being asked to vote to accept or reject the Plan.

(2) Treatment Under the Plan.

Class 13 Interests in Asbestos Subsidiary Debtors are treated in Article 4.2(n) of the Plan. The Interests in the Asbestos Subsidiary Debtors shall be cancelled, and holders of such Interests will not receive or retain any property under the Plan on account of such Interests.

(n) Class 14 – Interests in the Other Subsidiary Debtors.

(1) Voting Rights.

Class 14 is impaired. Class 14 is conclusively presumed to have rejected the Plan under section 1126(g) of the Bankruptcy Code and is not being asked to vote to accept or reject the Plan.

(2) Treatment Under the Plan.

Class 14 Interests in the other Subsidiary Debtors are treated in Article 4.2(o) of the Plan. The Interests in the Other Subsidiary Debtors shall be cancelled, and holders of such Interests will not receive or retain any property under the Plan on account of such Interests.

3.5 Intercompany Claims.

Intercompany Claims (other than (a) Derivative Asbestos Claims, which are resolved pursuant to the Asbestos Settlement Agreement, and (b) any Claims or causes of action asserted in the Litigation Trust Claims) shall be released and extinguished pursuant to the Plan, and no distributions shall be made under the Plan with respect to such Claims. Holders of such Claims shall not be entitled to vote on the Plan.

3.6 Non-Dischargeability of Obligations Under the Flow Through Bonds and the SPT Indemnity Agreement.

In accordance with the SPT Settlement Agreement, ASARCO's obligations under and relating to the Flow Through Bonds and the SPT Indemnity Agreement as it relates to the Flow Through Bonds shall not be discharged by Confirmation of the Plan or upon ASARCO's emergence from bankruptcy, except that in accordance with section 7.9 of the Plan Sponsor PSA, the Plan Sponsor shall (a) cause the Debtors to be fully, unconditionally and irrevocably released and discharged from SPT Bond Nos. 394729 and 403998 (identified in section 7.9 of the Disclosure Schedule); and shall (b) replace SPT Bond Nos. 394729 and 403998 or act as a substituted obligor, guarantor or other counterparty to the SPT Bond Nos. 394729 and 403998.

3.7 Conditions to Effectiveness.

Notwithstanding any other provision of the Plan or any order entered in connection with the Reorganization Cases, the Effective Date of the Plan shall not occur until and unless each of the following conditions to effectiveness have been satisfied or waived pursuant to Article 10.2 of the Plan:

(a) Disclosure Statement.

The Bankruptcy Court has approved the Disclosure Statement.

(b) Confirmation Findings and Conclusions.

The District Court makes or affirms the following findings of fact and conclusions of law:

(1) As of the Petition Date, ASARCO and the Asbestos Subsidiary Debtors have each been named as a defendant in personal injury, wrongful death, or property damage actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products;

(2) The Plan has been approved by creditors in Class 5 under the Plan in the requisite numbers and amounts required by sections 524(g), 1126, and 1129 of the Bankruptcy Code;

(3) On the Effective Date, the Asbestos Trust shall assume the liabilities of ASARCO and the Asbestos Subsidiary Debtors with respect to the Unsecured Asbestos Personal Injury Claims and Demands, and shall receive all transfers and assignments as set forth in the Plan;

(4) As of the Effective Date, there were no pending or known property damage actions seeking damages as a result of property damage allegedly caused by or arising out of asbestos or asbestos-containing products;

(5) The Asbestos Trust is to be funded in part by securities of Reorganized Covington and by the obligation of such debtor to make future payments;

(6) The Asbestos Trust, upon the Effective Date, is to own 100% of the Interests in Reorganized Covington;

(7) The Asbestos Trust shall use its assets and income to pay the Unsecured Asbestos Personal Injury Claims and Demands;

(8) ASARCO and the Asbestos Subsidiary Debtors are likely to be subject to substantial future Demands for payment arising out of the same or similar conduct or events that gave rise to the Unsecured Asbestos Personal Injury Claims, which are addressed by the Permanent Channeling Injunction and the Asbestos Insurance Company Injunction;

(9) The actual amounts, numbers, and timing of future Demands cannot be determined;

(10) Pursuit of Demands outside the procedures prescribed by the Plan is likely to threaten the Plan's purpose to deal equitably with Claims and future Demands;

(11) The terms of the Permanent Channeling Injunction and the Asbestos Insurance Company Injunction, including any provisions barring actions against third parties, are set out in the Plan and in the Disclosure Statement;

(12) The Asbestos Trust shall operate through mechanisms such as structured, periodic, or supplemental payments, pro rata distributions, matrices, or periodic review of estimates of the numbers and values of Unsecured Asbestos Personal Injury Claims and Demands, or other comparable mechanisms, that provide reasonable assurance that the Asbestos Trust will value, and be in a financial position to pay, all Unsecured Asbestos Personal Injury Claims and Demands in substantially the same manner;

(13) The FCR was appointed by the Bankruptcy Court as part of the proceedings leading to the issuance of the Permanent Channeling Injunction and the Asbestos Insurance Company Injunction for the purpose of, among other things, protecting the rights of persons that might subsequently assert Demands of the kind that are addressed in the Permanent Channeling Injunction and/or the Asbestos Insurance Company Injunction and that are to be assumed and paid by the Asbestos Trust in accordance with the Asbestos Trust Documents;

(14) In light of the respective benefits provided, or to be provided, to the Asbestos Trust by, or on behalf of, each ASARCO Protected Party, the Permanent Channeling Injunction is fair and equitable with respect to the persons that might subsequently assert Demands against any ASARCO Protected Party;

(15) In light of the respective benefits provided, or to be provided, to the Asbestos Trust by a Settling Asbestos Insurance Company in order to receive the benefits of the Asbestos Insurance Company Injunction, the Asbestos Insurance Company Injunction is fair and equitable with respect to the persons who might subsequently assert Demands against any Settling Asbestos Insurance Company;

(16) The Settling Asbestos Insurance Companies are alleged to be directly or indirectly liable for the Unsecured Asbestos Personal Injury Claims and Demands for one or more of the reasons set forth in section 524(g)(4)(A)(ii) of the Bankruptcy Code;

(17) The Permanent Channeling Injunction and the Asbestos Insurance Company Injunction are integral parts of the Plan and may not be vacated, amended or modified after Confirmation except to the extent expressly provided in Article 12.3(a)(1) and 12.3(b)(1) of the Plan;

(18) The Plan complies with all applicable sections of the Bankruptcy Code, including section 524(g) of the Bankruptcy Code, and the Debtors have complied with all applicable sections of the Bankruptcy Code;

(19) The Plan Sponsor PSA and all other documents necessary to consummate the sale of the Sold Assets to the Plan Sponsor are approved in all respects, and all parties thereto are authorized and directed to perform all their obligations thereunder;

(20) The sale of the Sold Assets to the Plan Sponsor pursuant to the Plan is approved pursuant to section 363, 1123 and 1129 of the Bankruptcy Code, and the Plan Sponsor has acted in good faith for the purposes of section 363(m) of the Bankruptcy Code; and

(21) Approval of the settlements and compromises set forth in Articles 11.26, 11.27, 11.28 and 11.29 of the Plan as appropriate under Bankruptcy Rule 9019 and applicable law governing approval of such settlements and compromises shall be ordered as part of the Confirmation Order.

(c) Confirmation Order.

The Confirmation Order entered or affirmed by the District Court is (1) acceptable to the Debtors and (2) to the extent the Confirmation Order relates to the Plan Sponsor PSA, the Plan Sponsor (and the Plan Sponsor Parent) or the transactions contemplated by the Plan Sponsor PSA, is reasonably satisfactory to the Plan Sponsor.

(d) No Stay.

The Confirmation Order is not stayed pursuant to an order issued by a court of competent jurisdiction.

(e) Plan Documents.

The Plan Documents necessary or appropriate to implement the Plan have been (1) executed, (A) in a form acceptable to the Debtors, and, (B) with respect to the Disclosure Statement, to the extent it relates to the Plan Sponsor PSA, the Plan Sponsor (and the Plan Sponsor Parent) or the transactions contemplated by the Plan Sponsor PSA, is in a form reasonably satisfactory to the Plan Sponsor, (2) delivered and, (3) where applicable, filed with the appropriate governmental or supervisory authorities.

(f) Funding of the Trusts.

The Trusts have been funded as provided in Articles 11.4 to 11.6 of the Plan.

(g) U.S. Trustee's Fees.

Any fees owed to the U.S. Trustee by the Debtors as of the Effective Date have been paid in full.

(h) Closing of the Sale of Sold Assets to Plan Sponsor.

The Confirmation Order provides for the sale of the Sold Assets to the Plan Sponsor on the Closing Date.

(i) Approval of Environmental Settlements.

The settlement agreements for the Previously Settled Environmental Claims, the Miscellaneous Federal and State Environmental Claims, the Residual Environmental Claims, and the Environmental Custodial Trust Settlement Agreements have been approved by the Bankruptcy Court and, where so required by the terms of the settlement agreement, by the appropriate federal district court.

(j) Assumption and Assignment of the Mission Mine Settlement Agreement.

The Mission Mine Settlement Agreement, all related agreements (including the Mission Mine Unexpired Agreements) and escrowed funds and financial assurances shall be assumed and assigned to the Plan Sponsor.

(k) Approval of Asbestos Settlement Agreement.

The Confirmation Order approves the Asbestos Settlement Agreement.

(l) Assumption and Assignment of Hayden Settlement Agreement.

The Hayden Settlement Agreement, all related agreements and escrowed funds and financial assurances shall be assumed and assigned to the Plan Sponsor.

(m) HSR Act Approval.

Any waiting period (including any extension thereof) applicable to the sale to and purchase by the Plan Sponsor of the Sold Assets under the HSR Act or under the regulations of any other applicable governmental antitrust or competition authority, where failure to comply with such regulations would prohibit the consummation of the transactions contemplated by the Plan Sponsor PSA, shall have been terminated or expired.

3.8 Waiver of Conditions to Effectiveness.

The Debtors, in their sole discretion, may waive any condition to effectiveness in Article 10.1 of the Plan by filing a notice of such waiver with the clerk of the Bankruptcy Court and by serving a copy of such notice on the Plan Sponsor, the U.S. Trustee, the Committees, the FCR, and the DOJ; *provided*, *however*, that:

(a) the DOJ and any affected State must consent to any waiver of any of the conditions to effectiveness sent forth in Article 10.1(e)(1), (f), (i), (j) and (l) of the Plan;

(b) the Asbestos Subsidiary Committee and the FCR must consent to any waiver of any of the conditions to effectiveness set forth in Article 10.1(e)(1), (f) and (k) of the Plan; and

(c) the Plan Sponsor must consent to any waiver of any of the conditions to effectiveness set forth in Article 10.1(c)(2), (e)(1)(B) and (m) of the Plan;

provided, that in each instance described in clauses (a), (b) and (c) of this Section 3.8, such consent is not unreasonably withheld, delayed or conditioned.

3.9 How the Plan Will Be Implemented.

(a) Sale of Sold Assets to Plan Sponsor.

Article 11.1 of the Plan provides that on the Closing Date, the Sold Assets shall be sold to the Plan Sponsor.

Pursuant to section 3.3(c) of the Plan Sponsor PSA, the Plan Sales Proceeds are subject to upward or downward adjustment in the amount of the Adjustment Payment (as defined therein). ASARCO shall place Cash in the amount of $_____ in reserve to be used to make any payment that Reorganized ASARCO is required to make to the Plan Sponsor pursuant to section 3.3(c)(ii) of the Plan Sponsor PSA. Such funds shall be held in reserve (the "Adjustment Payment Reserve") by the Plan Administrator until the Closing Accounts Amount (as defined in the Plan Sponsor PSA) has been finally determined and, if applicable, shall be used to satisfy the payment obligations of Reorganized ASARCO under section 3.3(c)(ii) of the Plan Sponsor PSA.

Pursuant to section 2.5(d) of the Plan Sponsor PSA, the Plan Sponsor is entitled to reimbursement from ASARCO of any Unpaid Cure Claims Amount paid by the Plan Sponsor in accordance with such section 2.5(d). ASARCO shall place Cash in the amount of $_____ in reserve (the "Unpaid Cure Claims Reserve") to be used to make payment in

respect of any Unpaid Cure Claims Amount for which ASARCO may be required to reimburse the Plan Sponsor pursuant to section 2.5(d) thereof. Such funds shall be held in the Unpaid Cure Claims Reserve until notice is provided by the Plan Sponsor pursuant to section 2.5(d) of the Plan Sponsor PSA (or the period in which any such notice is required to be provided has expired), whichever occurs later, and shall be applied in accordance with section 2.5(d) thereof, if and as applicable.

Reorganized ASARCO and the Plan Administrator will distribute the Available Plan Funds in accordance with the Plan.

(b) Appointment of Plan Administrator and Plan Administration Committee, and Funding of Miscellaneous Plan Administration Accounts.

Upon approval by the Bankruptcy Court in the Confirmation Order, the Plan Administrator shall be appointed. The Plan Administrator shall have and perform all of the duties, responsibilities, rights and obligations set forth in the Plan Administration Agreement. **[This should include residual environmental cleanups for identified matters using Prepetition ASARCO Environmental Trust funding and any transition cleanup under the Hayden AOC prior to assumption by the Plan Sponsor.]**

The initial members of the Plan Administration Committee shall be those Persons designated in the Confirmation Order. They shall consult with and advise the Plan Administrator, as is set forth in greater detail in the Plan Administration Agreement.

On the Effective Date, the Plan Administration Account shall be funded with sufficient Cash to pay the Plan Administrator's estimated compensation and expenses, the Bonds (if ASARCO elects to Reinstate the Bondholders' Claims), and all other anticipated costs of administration of the Plan and initial operations of the Reorganized Debtors. The Plan Administrator shall also establish, and Reorganized ASARCO shall fund, the Reorganized Covington Account (in the name of Reorganized Covington and funded with sufficient Cash to pay the anticipated costs of Reorganized Covington's initial operations), the Adjustment Payment Reserve, the Unpaid Cure Claims Reserve, the Disputed Claims Reserve, Disputed Secured Claims Escrow Accounts, the Prepetition ASARCO Environmental Trust Escrow, the Indemnification Escrow, and the Undeliverable and Unclaimed Distribution Reserve (the "Miscellaneous Plan Administration Accounts"). The Plan Administrator may also establish such general accounts as it deems necessary and appropriate.

The Plan Administrator shall allocate the funds in the Plan Administration Account to subaccounts corresponding to the enumerated functions of the Plan Administrator. If the Plan Sponsor is required to make the Plan Sponsor Adjustment Payment, such funds shall be placed in a subaccount of the Plan Administration Account. Until the Plan Administrator has discharged its obligations, the funds in those subaccounts and the Miscellaneous Plan Administration Accounts may only be used for the purpose designated for that particular account or subaccount. In addition, any taxes attributable to the earnings of a subaccount or a Miscellaneous Plan Administration Account (as well as any taxes directly imposed on a subaccount or a Miscellaneous Plan Administration Account) shall be paid out of the assets of such account.

To the extent there are any excess funds in the Plan Administration Account (or any subaccount thereof) or the Miscellaneous Plan Administration Accounts, the Plan Administrator shall, after consultation with and approval by the Plan Administration Committee, distribute such funds to unpaid Claimants and/or the holder of the Class 12 Interest, in accordance with the priorities established by the Plan and Section ___ of the Plan Administration Agreement.

(c) Approval of Asbestos Settlement Agreement, the Environmental Custodial Trust Settlement Agreements, Miscellaneous Federal and State Environmental Settlement Agreement, and Residual Environmental Settlement Agreement.

The Plan implements an agreement in principal with holders of asbestos-related and environmental Claims, which are memorialized in the Asbestos Settlement Agreement attached to the Plan as **Exhibit 9**, and the Environmental Custodial Trust Settlement Agreements, the Miscellaneous Federal and State Environmental Settlement Agreement, and the Residual Environmental Settlement Agreement, which are attached to the Plan as **Exhibits 12-B** through **12-__**. Confirmation of the Plan will approve of the Debtors' entry into each of these agreements. Among other things, the Residual Environmental Settlement Agreement provides for the payment of $750 million to holders of Residual Environmental Claims. The United States and the State of Washington have reserved the right to oppose Confirmation if either believes that there is a significant risk that this $750 million payment will not be made pursuant to the Plan.

(d) Establishment of the Asbestos Trust.

Unsecured Asbestos Personal Injury Claims and Demands shall be addressed through the Asbestos Trust that the Debtors will establish on the Effective Date in accordance with the Plan Documents. From that date forward, by operation of the Plan, the Asbestos Trust will become solely responsible for the liquidation and payment of Unsecured Asbestos Personal Injury Claims and Demands.

On or after the Effective Date, the Asbestos Trust shall receive the Asbestos Trust Assets.

The Asbestos Trust shall create an Asbestos Premises Liability Claims Fund for payment of Asbestos Premises Liability Claims and Demands, and an Asbestos Personal Injury Claims Fund for payment of all Unsecured Asbestos Personal Injury Claims and Demands other than Asbestos Premises Liability Claims and Demands.

See Section 6.1 of this Disclosure Statement for further information regarding the Asbestos Trust.

(e) Establishment of Environmental Custodial Trusts.

Separate Environmental Custodial Trusts shall be created in order to (1) own the contaminated properties in the trust's particular state or region (as described as the "Designated Properties" and listed on **Exhibit 10** to the Plan); (2) conduct remediation and restoration or funding remediation and restoration of or related to those Designated Properties; (3) implement the terms of any settlement agreements with the Environmental Agencies; and (4) with the approval of the United States and the state in which the property is located, sell, transfer or otherwise dispose of the Designated Properties.

On the Effective Date, the Environmental Custodial Trusts shall each be funded by the Debtors' deposit of the Environmental Custodial Trust Funding and the Environmental Custodial Administration Funding in the Environmental Custodial Trust Accounts. Also on the Effective Date, all of the Debtors' rights, title and interests in the Designated Properties shall be transferred to the respective Environmental Custodial Trusts, free and clear of all Claims against the Estate other than liability to Governmental Units as provided in the applicable Environmental Custodial Trust Agreements, but subject to any *in rem* Claims, on-site Environmental Claims and any Environmental Claims for Hazardous Materials that have migrated off-site.

(f) Establishment of Litigation Trust.

The Litigation Trust Claims shall be prosecuted by the Litigation Trust that the Debtors shall establish on the Effective Date in accordance with the Plan Documents. By operation of the Plan, the Litigation Trust shall thereafter be solely responsible for liquidating the Litigation Trust Claims, converting them to Cash, and distributing the proceeds to holders of Litigation Trust Interests.

On the Effective Date, the Litigation Trust shall be created and shall receive the Litigation Trust Claims and the Debtors' Privileges associated with the Litigation Trust Claims. Also on the Effective Date, the Debtors shall establish the Litigation Expense Fund with sufficient Cash to fund the operations of the Litigation Trust.

(g) Prepetition ASARCO Environmental Trust.

The Prepetition ASARCO Environmental Trust was created pursuant to a Consent Decree entered in *United States v. ASARCO Inc., et al.*, Civil Action No. 02-2079, in the United States District Court for the District of Arizona. This trust is primarily funded by a promissory note due May 31, 2010 in the original principal sum of $100,000,000 from AMC and guaranteed by Grupo Mexico. The current balance of the note is **[$4.2 million]**.

The Prepetition ASARCO Environmental Trust shall remain in existence, and shall be unaffected by the Reorganization Cases or any related settlements. The Plan Administrator shall succeed to ASARCO's administrative role, and will, in its sole discretion, act as Performing Entity (as defined in the trust) from time to time, but will assume no affirmative liabilities or obligations associated with that role. In accordance with the documents governing it, the funds in the Prepetition ASARCO Environmental Trust shall continue to be available for, among other things, (1) identified work sites; (2) interim costs prior to the effectiveness of the Plan; and (3) any shortfalls or unanticipated costs or any other use permitted by the terms of the Prepetition ASARCO Environmental Trust (it being understood that the terms of certain environmental settlements were based on the assumption that certain previously-identified, additional environmental response actions to be

performed by the Debtors, the Plan Administrator or the United States would be reimbursed from the Prepetition ASARCO Environmental Trust).

The funds remaining in the Prepetition ASARCO Environmental Trust are separate from and without prejudice to the distributions to be made to holders of Class 7 Previously Settled Environmental Claims, Class 8 Miscellaneous Federal and State Environmental Claims, and Class 10 Residual Environmental Claims, as described in Article IV of the Plan.

The Debtors anticipate that some of the Environmental Claims will be paid by the Prepetition ASARCO Environmental Trust. Reorganized ASARCO and the Plan Administrator shall hold back from distributions under the Plan $_____ (the "Prepetition ASARCO Environmental Trust Escrow") to allow for the possibility that AMC may fail to make a required payment due under the note that funds the Prepetition ASARCO Environmental Trust. In the event that AMC fails to make any of the payments remaining due under the note, the Plan Administrator and the United States shall reasonably cooperate in determining the most efficient mechanism to recover the amounts owed by AMC. Upon AMC's payment of amounts due under the note, the Plan Administrator may release a corresponding amount from the Prepetition ASARCO Environmental Trust Escrow and distribute such funds in accordance with the priorities established by the Plan and in accordance with the terms and conditions of the Plan and the Confirmation Order, in the following order of priority: first, to satisfy the Class 5 and Class 9 Principal Payment; second, to satisfy the Pro Rata Post-Petition Interest Payment; third, to satisfy the Class 5 and Class 9 Supplemental Distribution; fourth, to holders of Allowed Class 10 Late-Filed Claims; fifth, to holders of Allowed Class 11 Subordinated Claims; and finally, to the holders of Class 12 Interests.

(h) Plan Sponsor's Assumption of Certain Environmental Liabilities.

Pursuant to Article 11.18 of the Plan, except as provided in sections 2.4(f), (g) and (h) of the Plan Sponsor PSA, from and after the Closing, the Plan Sponsor shall assume, pay, perform and discharge when due all Liabilities relating to any Environmental Laws regarding any of the Real Property (including all Liabilities relating to Releases of Hazardous Materials at such properties or that have migrated or in the future migrate off-site from such properties) irrespective of whether such Liabilities relate to actions, omissions or events that occur or exist prior to or after the Closing Date. These Liabilities are referred to in section 2.3(e) of the Plan Sponsor PSA as the "Assumed Environmental Liabilities." The Plan Sponsor shall have no recourse from the Sellers in respect of the Assumed Environmental Liabilities. Further, the Plan Sponsor shall defend, indemnify and hold harmless each Seller, and each Seller's respective officers, directors, employees, agents, representatives and Affiliates, from and against any costs, damages, demands, causes of action, Liabilities, lawsuits, judgments, losses and expenses of any kind associated with the Assumed Environmental Liabilities.

Sections 2.4(f), (g) and (h) of the Plan Sponsor PSA exclude the following Liabilities from the Assumed Environmental Liabilities, which shall instead be included among the Liabilities that will be retained by the Debtors (the "Retained Liabilities"):

(1) all Liabilities relating to any Environmental Laws regarding any Non-Target Properties (other than Liabilities relating to the off-site migration of Hazardous Materials from a Real Property or Silver Bell Property to a Non-Target Property) irrespective of whether such Liabilities relate to actions, omissions or events that occur or exist prior to or after the Closing Date, including any Liabilities relating to Hazardous Materials that, prior to the Closing Date, were sent from a Real Property (other than by natural migration or to another Real Property or a Silver Bell Property) off-site for treatment, storage or disposal, in accordance with section 2.4(f) of the Plan Sponsor PSA;

(2) all Liabilities relating to any toxic tort claim or other claim by a Person other than a Governmental Authority to the extent it relates to exposure prior to the Closing Date to Hazardous Materials (for the avoidance of doubt, with respect to any such claim that alleges exposure to Hazardous Materials that occurred prior to the Closing Date and continued or continues after the Closing Date, the portion of the Liability attributable to the pre-Closing exposure shall be a Retained Liability and the portion attributable to the continuation of the exposure post-Closing shall be an Assumed Environmental Liability), in accordance with section 2.4(g) of the Plan Sponsor PSA; and

(3) all Liabilities for any natural resource damages at any Non-Target Property that result from migrations or Releases of Hazardous Materials from Real Property that occurred prior to the Closing Date and did not continue thereafter, in accordance with section 2.4(h) of the Plan Sponsor PSA.

(i) Plan Distributions.

(1) Plan Administrator.

As provided in Article 14.2 of the Plan, not less than ten days prior to commencement of the Confirmation Hearing, and subject to Bankruptcy Court approval in connection with Confirmation of the Plan, ASARCO shall designate the Entity that shall initially serve as the Plan Administrator. The Plan Administrator shall serve without bond, may employ or contract with other Persons to assist in the performance of the Plan Administrator's duties, which shall be set forth in the Plan Administration Agreement, and shall procure appropriate directors and officers liability insurance and other insurance coverage appropriate to the business in which the Reorganized Debtors are to be engaged. The Plan Administrator shall receive, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection of such services. On the Effective Date, the Debtors shall (A) place in the Plan Administration Account sufficient Cash to pay for the Bonds (if ASARCO elects to Reinstate the Bondholders' Claims), the Plan Administrator's compensation and expenses and all other anticipated costs of administration of the Plan and initial operations of the Reorganized Debtors; and (B) fund the Miscellaneous Plan Administration Accounts. Upon completion of the Plan Administrator's other responsibilities under the Plan, Confirmation Order and Plan Administration Agreement, any funds remaining in the Plan Administration Reserve shall be distributed in accordance with the terms and conditions of the Plan and the Confirmation Order, in the following order of priority: first, to satisfy the Class 5 and Class 9 Principal Payment; second, to satisfy the Pro Rata Post-Petition Interest Payment; third, to satisfy the Class 5 and Class 9 Supplemental Distribution; fourth, to holders of Allowed Class 10 Late-Filed Claims; fifth, to holders of Allowed Class 11 Subordinated Claims; and finally, to the holders of Class 12 Interests.

(2) Distributions to Claimants Other than Holders of Unsecured Asbestos Personal Injury Claims and Demands.

- Reorganized ASARCO, on the Initial Distribution Date, and thereafter the Plan Administrator shall be responsible for making all distributions to Claimants other than to the holders of Unsecured Asbestos Personal Injury Claims and Demands.

- Distributions by Reorganized ASARCO and the Plan Administrator shall be made to the holder of an Allowed Claim at the address of such holder as indicated in the claims register maintained by the Claims Agent. Nonetheless, if such holder holds such Claims through a Nominee, distributions with respect to such Claims will be made to such Nominee, and such Nominee shall, in turn, make appropriate distributions and book entries to reflect such distributions to such holders; *provided, however*, that where an Indenture Trustee is acting on behalf of certain Bondholders, distributions on account of those Bondholder Claims shall be made to such Indenture Trustee for its subsequent distribution, subject to the terms and conditions of the applicable indenture or other governing document, to the holders of such Claims.

- Payments may be made at election of Reorganized ASARCO or the Plan Administrator by check, wire transfer, or the customary method used for payment by the Debtors prior to the Petition Date.

(3) Distributions to Holders of Unsecured Asbestos Personal Injury Claims and Demands.

Distributions to holders of Unsecured Asbestos Personal Injury Claims and Demands shall be made by the Asbestos Trust in accordance with the Asbestos Trust Documents. The Asbestos TDP establishes a priority for distributions to be made by the Asbestos Trust on account of such Claims and Demands. *See* Section 6.10 of this Disclosure Statement for a description of the Asbestos TDP.

(j) Distribution Record Date.

Reorganized ASARCO and the Plan Administrator shall have no obligation to recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the Distribution Record Date and shall be entitled for all purposes herein to recognize and make distributions only to those holders of Allowed Claims that are holders of such Claims or participants therein, as of the Distribution Record Date.

(k) Procedures for the Treatment of Disputed Claims, Other than Unsecured Asbestos Personal Injury Claims.

(1) Prosecution of Objections to Claims.

Article 15.1 of the Plan provides the Reorganized ASARCO and the Plan Administrator with the exclusive right, after the Effective Date, to make and file objections to Proofs of Claim, other than objections to Unsecured Asbestos Personal Injury Claims and Demands and objections to Claims that have been Allowed by Final Order. Reorganized ASARCO and the Plan Administrator also shall have the right to litigate any Claims, other than Unsecured Asbestos Personal Injury Claims and Demands, in any other court of competent jurisdiction, subject to any applicable state or federal statute of limitations.

Article 15.1 of the Plan provides that, after the Effective Date, only the Asbestos Trust shall have authority to file objections to Unsecured Asbestos Personal Injury Claims and Demands and to litigate such objections to judgment or settlement or to withdraw such objections. All such objections will be resolved through the Asbestos TDP. For the avoidance of doubt, no objection to Unsecured Asbestos Personal Injury Claims and Demands shall be filed in the Bankruptcy Court.

(2) Objection Deadline.

Within the later of (a) ninety days after the Confirmation Date or (b) ninety days after a Proof of Claim is filed, objections to Claims (other than Unsecured Asbestos Personal Injury Claims and Demands, which shall be Allowed or disallowed as provided in the Asbestos TDP shall be filed with the Bankruptcy Court); *provided, however*, that Reorganized ASARCO or the Plan Administrator may seek to extend such period (or any extended period) for cause.

(3) Disallowance of Improperly Filed Claims.

Any Administrative Claim or other Claim (except for an Unsecured Asbestos Personal Injury Claim or a Demand) for which the filing of a motion for allowance is required shall be disallowed if such filing is not timely and properly made, subject to the right of the Claimant to seek permission under applicable law to file a late claim.

(4) No Distributions Pending Allowance.

If a Claim or any portion of a Claim is disputed, no payment or distribution shall be made on account of the disputed portion of such Claim (or the entire Claim, if the entire Claim is disputed), unless and until such Disputed Claim becomes an Allowed Claim.

(5) Disputed Claims Reserve.

(A) The Plan Administrator shall maintain, in accordance with its powers and responsibilities under the Plan, a Disputed Claims Reserve.

(B) On the Effective Date (or as soon thereafter as is reasonably practicable), Reorganized ASARCO or the Plan Administrator, as the case may be, shall deposit Cash in the Disputed Claim Reserve that would have been distributed to the holders of Disputed Claims if such Disputed Claims had been Allowed Claims on the Effective Date. This amount will be determined based on the lesser of (i) the asserted amount of the Disputed Claims in the applicable Proofs of Claim, (ii) the amount, if any, estimated by the Bankruptcy Court pursuant to section 502(c) of the Bankruptcy Code, or (iii) the amount otherwise agreed to by the Debtors and the holders of such Disputed Claims. In the case of objections to allegedly Secured Claims, any Lien asserted by the holder of such Claim shall attach to Cash held by the Plan Administrator in the amount of the allegedly Secured Claim, which Cash shall be held by the Plan Administrator in a separate escrow account ("Disputed Secured Claim Escrow Account"), pending resolution of the objection to the allegedly Secured Claim.

(C) In the case of objections to allegedly Secured Claims, any Lien asserted by the holder of such a Claim against Remaining Assets that revest in Reorganized ASARCO shall remain in place, pending resolution of the objection to the allegedly Secured Claim. Any Lien asserted by the holder of an allegedly Secured Claim against an asset that is sold to the Plan Sponsor shall attach to Cash held by the Plan Administrator in an amount equal to the lesser of (1) the amount of the allegedly Secured Claim, (2) the amount, if any, estimated by the Bankruptcy Court pursuant to section 502(c) of the Bankruptcy Code, or (3) the amount otherwise agreed to by the Debtors and the holders of such Disputed Claims,

which Cash shall be held by the Plan Administrator in a separate escrow account ("Disputed Secured Claims Escrow Account"), pending resolution of the objection to the allegedly Secured Claim.

(D) The Plan Administrator shall distribute from the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account to the holder of any Disputed Claim that has become an Allowed Claim, not later than the tenth Business Day after the end of the calendar month in which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order, an amount equal to the Allowed Claim as if such Claim had been an Allowed Claim on the Effective Date.

(E) If a Disputed Claim is disallowed, in whole or in part, the Plan Administrator shall on a quarterly basis (and in no event later than the tenth Business Day after the end of each calendar quarter) distribute the Cash reserved in respect of such disallowed Disputed Claim in accordance with the terms and conditions of the Plan and the Confirmation Order, in the following order of priority: first, to satisfy the Class 5 and Class 9 Principal Payment; second, to satisfy the Pro Rata Post-Petition Interest Payment; third, to satisfy the Class 5 and Class 9 Supplemental Distribution; fourth, to holders of Allowed Class 10 Late-Filed Claims; fifth, to holders of Allowed Class 11 Subordinated Claims; and finally, to the holders of Class 12 Interests.

(F) The law is unclear as to whether the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account will be treated, for U.S. federal income tax purposes, as a disputed ownership fund within the meaning of Treasury Regulations section 1.468B-9(b)(1). If the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account qualifies as a disputed ownership fund within the meaning of Treasury Regulations section 1.468B-9(b)(1), it would be subject to entity level U.S. federal income taxation on its income as if it were a corporation and such entity level taxes imposed on the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account would be paid out of the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account, respectively. If the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account does not qualify as a disputed ownership fund within the meaning of Treasury Regulations section 1.468B-9(b)(1), then it will not be treated as a separate taxable entity subject to entity level taxation, and the person that is deemed to "own" the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account for U.S. federal income would be required to pay federal income taxes on its earnings. The Plan contemplates that the Plan Administrator take the position that the Disputed Claims Reserve and the Disputed Secured Claims Escrow Accounts do not qualify as disputed ownership funds within the meaning of Treasury Regulations section 1.468B-9(b)(1). The Plan Administrator will cause taxes attributable to the earnings of the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account (as well as any taxes directly imposed on the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account) to be paid out of the assets of the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account, respectively.

(6) Compliance with Tax Requirements.

Reorganized ASARCO, the Plan Administrator and the Asbestos Trust shall comply with all applicable withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authorities, and all distributions made pursuant to the Plan or under any Plan Document shall be subject to such withholding and reporting requirements, if any. Notwithstanding any other provision of the Plan, each Person receiving a distribution pursuant to the Plan, or any other Plan Document, will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Unit, including income and other tax obligations, on account of that distribution.

(l) Unclaimed Property.

(1) Distributions by the Asbestos Trust.

Any Cash, assets, or other property to be distributed under the Plan by the Asbestos Trust that remains unclaimed (including by an Entity's failure to negotiate a check issued to such Entity) or otherwise is not deliverable to the Entity entitled thereto one year after the initial distribution is made or attempted shall become vested in, and shall be transferred and delivered to, the Asbestos Trust, for use in accordance with the terms of the Asbestos Trust Agreement.

(2) Distributions by the Plan Administrator.

(A) If the distribution to any holder of an Allowed Claim (other than the holder of an Unsecured Asbestos Personal Injury Claim or a Demand) is returned to Reorganized ASARCO or the Plan Administrator as

undeliverable or is otherwise unclaimed (including by a Claimant's failure to negotiate a check issued to such Claimant), the amounts in respect of such undeliverable and/or unclaimed distributions shall be returned to the Plan Administrator until such distributions are claimed. The Plan Administrator will segregate and deposit into an escrow account (the "Undeliverable and Unclaimed Distribution Reserve") all undeliverable and/or unclaimed distributions for the benefit of all such similarly situated Persons until such time as a distribution becomes deliverable or is claimed or such Claimant's right to the distribution is waived pursuant to Article 14.5(b)(2).

(B) Any funds in the Undeliverable and Unclaimed Distribution Reserve that remain unclaimed (including by a Claimant's failure to negotiate a check issued to such Claimant) or otherwise are not deliverable to the Claimant entitled thereto one year after the initial distribution is made or attempted (the "Forfeited Distribution") shall become vested in, and shall be transferred and delivered to, the Plan Administrator. In such event, such Claimant shall be deemed to have waived its rights to such payments or distributions under this Plan pursuant to section 1143 of the Bankruptcy Code, shall have no further Claim in respect of such distribution, and shall not participate in any further distributions under this Plan with respect to such Claim. Reorganized ASARCO shall then distribute the Forfeited Distribution, in accordance with the terms and conditions of the Plan and the Confirmation Order, in the following order of priority: first, to satisfy the Class 5 and Class 9 Principal Payment; second, to satisfy the Pro Rata Post-Petition Interest Payment; third, to satisfy the Class 5 and Class 9 Supplemental Distribution; fourth, to holders of Allowed Class 10 Late-Filed Claims; fifth, to holders of Allowed Class 11 Subordinated Claims; and finally, to the holders of Class 12 Interests.

(m) Bar Date for Compensation and Reimbursement Claim.

Pursuant to Article 16.12 of the Plan, all applications for final allowances of compensation or reimbursement of expenses under section 330 of the Bankruptcy Code or applications for allowance of Administrative Claims arising under subsections (b)(2) through (b)(6) of section 503(b) of the Bankruptcy Code must be filed on or before ninety days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to applications of such Professionals Persons or other Entities for compensation or reimbursement of costs and expenses or for substantial contribution Claims must be filed within twenty days after the applicable application for compensation or reimbursement was filed.

(n) Subsequent Administrative Claims Bar Date.

Pursuant to Article 16.13 of the Plan, Claimants, other than Professionals Persons, holding Administrative Claims against a Debtor that arise after the Initial Administrative Claims Bar Date (a "Subsequent Administrative Claim") that remain unpaid on the Effective Date must file a request for payment of Subsequent Administrative Claim on or before forty-five days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Any holder of a Subsequent Administrative Claim that is required to file a request for payment of such Claim and that does not file such request prior to the Subsequent Administrative Claims Bar Date will be forever barred from asserting such Subsequent Administrative Claim against the Debtors, Reorganized ASARCO or their respective properties, and such Subsequent Administrative Claim will be deemed discharged as of the Effective Date. Objections to Subsequent Administrative Claims must be filed with the Bankruptcy Court within twenty days after the applicable Subsequent Administrative Claim was filed, unless such objection deadline is extended by the Bankruptcy Court. Any Subsequent Administrative Claims of the United States or the States under civil Environmental Laws relating to the Designated Properties shall be addressed through the Environmental Custodial Trust Settlement Agreements, the Environmental Custodial Trust Funding and the Environmental Custodial Trust Administration Funding to be paid by ASARCO to the Environmental Custodial Trusts pursuant to the Plan.

3.10 Injunctions, Releases, and Discharge.

The Plan provides for entry of various releases and permanent injunctions in favor of the ASARCO Protected Parties. These releases and injunctions are an essential part of the Plan and, if entered, will limit the rights of holders of Unsecured Asbestos Personal Injury Claims and Demands and others against these entities. If these releases and injunctions are not entered, the Debtors will have the right not to proceed with the Plan.

(a) Discharge and Release.

Article 12.1 of the Plan provides that, except as otherwise expressly provided in the Plan, the rights afforded therein and the treatment of all Claims, Demands and Interests is in exchange for and in complete satisfaction, discharge, and release of all Claims, Demands and Interests of any nature whatsoever, against the Debtors or their respective

Estates, assets, properties or interests in property. Except as otherwise provided in the Plan, on the Effective Date, all Claims and Demands against and Interests in the Debtors shall be satisfied, discharged, and released in full.

(b) Discharge Injunction.

Article 12.2 of the Plan contains an injunction to give force and effect to the discharge granted under the Plan. Except as otherwise expressly provided in the Plan, the discharge and release set forth in Article 12.1 of the Plan shall operate as an injunction permanently prohibiting and enjoining the commencement or continuation of any action or the employment of process with respect to, or any act to collect, recover from, or offset (i) any Claim and Demand discharged and released in Article 12.1 of the Plan and (ii) any cause of action, whether known or unknown, based on the same subject matter as any Claim or Demand discharged and released in Article 12.1. Except as otherwise expressly provided in the Plan, all Entities shall be precluded and forever barred from asserting against the ASARCO Protected Parties, their successors or assigns, or their assets, properties, or interests in property any other or further Claims or Demands, or any other right to legal or equitable relief regardless of whether such right can be reduced to a right to payment, based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not the facts of or legal bases therefore were known or existed prior to the Effective Date. The injunctive relief sought is intended to be as broad as allowed under applicable law.

(c) The Permanent Channeling Injunction and the Asbestos Insurance Company Injunction.

To supplement the injunctive effect of the Discharge Injunction, Article 12.3 of the Plan provides for the Confirmation Order to contain two additional injunctions to take effect on the Effective Date. These injunctions, which are described and set forth in full below, are:

- the Permanent Channeling Injunction; and
- the Asbestos Insurance Company Injunction.

(1) Permanent Channeling Injunction.

The Permanent Channeling Injunction will protect ASARCO Protected Parties from direct or indirect liability on account of any Unsecured Asbestos Personal Injury Claim assertable against an ASARCO Protected Party.

The term "ASARCO Protected Parties" refers to:

- the Debtors and their predecessors, other than Grupo Mexico, AMC and the Parent;
- the Reorganized Debtors;
- the ASARCO Protected Non-Debtor Affiliates and their predecessors, other than Grupo Mexico, AMC and the Parent;
- the Plan Sponsor and the Plan Sponsor Parent;
- Settling Asbestos Insurance Companies;
- the Trusts;
- the Trustees;
- the Asbestos TAC;
- the FCR;
- the Litigation Trust Board;
- the Committees, including their members in their member capacities;
- the Plan Administrator;
- the Examiner; and
- the present and former directors, officers, agents, attorneys, accountants, consultants, financial advisors, investment bankers, professionals, experts, and employees of any of the foregoing, in their respective capacities as such, including but not limited to, the Protected Officers and Directors.

provided, *however*, that the term "ASARCO Protected Parties" does not include the non-Debtor named defendants in the Derivative D&O Litigation, the Burns Litigation or the SCC Litigation.

The full text of the Permanent Channeling Injunction is set forth below:

(A) *Terms. In order to induce, preserve and promote the settlements contemplated by and provided for in the Plan, and pursuant to section 524(g) or 105(a) of the Bankruptcy Code (or both), all Unsecured Asbestos Personal Injury Claims and Demands shall be channeled to the Asbestos Trust for a remedy under the Asbestos TDP, and all holders of Unsecured Asbestos Personal Injury Claims and Demands and all Entities which have held or asserted, which hold or assert, or which may in the future hold or assert, any Unsecured Asbestos Personal Injury Claim shall be permanently and forever stayed, restrained, and enjoined from taking any action against any ASARCO Protected Party (or any property or interest in property of an ASARCO Protected Party) with respect to such Unsecured Asbestos Personal Injury Claim or Demand, including without limitation, for the purpose of directly or indirectly obtaining a judgment, collecting, recovering, or receiving payments, satisfaction, or recovery with respect to such Unsecured Asbestos Personal Injury Claim or Demand, including, but not limited to:*

(i) *commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including a judicial, arbitration, administrative, or other proceeding) in any forum with respect to any Unsecured Asbestos Personal Injury Claim or Demand against any of the ASARCO Protected Parties, or against the property or interests in property of any ASARCO Protected Parties;*

(ii) *enforcing, levying, attaching (including by prejudgment attachment), collecting, or otherwise recovering, by any manner or means, whether directly or indirectly, any judgment, award, decree, or other order against any of the ASARCO Protected Parties, or against the property or interests in property of any ASARCO Protected Parties, with respect to any Unsecured Asbestos Personal Injury Claim or Demand;*

(iii) *creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien of any kind against any ASARCO Protected Parties, or the property or interests in property of any ASARCO Protected Parties, with respect to any Unsecured Asbestos Personal Injury Claim or Demand;*

(iv) *except as otherwise specifically provided in the Plan, asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, reimbursement, or recoupment of any kind and in any manner, directly or indirectly against any obligation due any ASARCO Protected Parties, or against the property or interests in property of any ASARCO Protected Parties, with respect to any Unsecured Asbestos Personal Injury Claim or Demand; and*

(v) *proceeding or taking any action, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan, the Plan Documents or the Asbestos Trust Documents relating to any Unsecured Asbestos Personal Injury Claim or Demand.*

(B) *Reservations. Notwithstanding anything to the contrary above, the Permanent Channeling Injunction shall not enjoin, alter, diminish or impair*:

(i) *the rights of Entities to the treatment accorded them under Articles II and IV of the Plan, as applicable, including the rights of Entities with Unsecured Asbestos Personal Injury Claims or Demands to assert such Unsecured Asbestos Personal Injury Claims or Demands in accordance with the Asbestos TDP;*

(ii) *the rights of Entities to assert any Claim, Demand, debt, obligation, or liability for payment of Asbestos Trust Expenses against the Asbestos Trust;*

(iii) *the enforceability of any of the Asbestos Insurance Policies or any Asbestos Insurance Settlement Agreement;*

(iv) *the rights of the Asbestos Trustees, if any, with regard to any Asbestos Insurance Company that is not a Settling Asbestos Insurance Company (with the Asbestos Trust being, and deemed to be,*

for all purposes of insurance and indemnity, the successor to the Debtors in respect of the Asbestos Personal Injury Claims or Demands and other recoveries);

(v) *the rights of Entities to assert any Claim, Demand, debt, obligation, or liability for payment against an Asbestos Insurance Company that is not an ASARCO Protected Party unless otherwise enjoined by order of the Bankruptcy Court or the District Court or estopped by a provision of the Plan; or*

(vi) *the rights of the Asbestos Trust or the Asbestos Trustees to seek relief from the Permanent Channeling Injunction should the Debtors and/or the Reorganized Debtors fail to fulfill all obligations under this Plan or the Plan Documents; provided, however, that so long as the Plan Sponsor and the Plan Sponsor Parent perform their respective obligations under the Plan Sponsor PSA, the Permanent Channeling Injunction shall not be lifted, amended or modified in any way with respect to the Plan Sponsor, the Plan Sponsor Parent or their Affiliates, representatives, properties or interests in property.*

(2) Asbestos Insurance Company Injunction.

The Asbestos Insurance Company Injunction will bar the assertion and/or prosecution of Claims, Demands or causes of action against Settling Asbestos Insurance Companies by any Entity, to the extent such claim is connected in any way to:

- any Unsecured Asbestos Personal Injury Claim against or relating to the Debtors;
- any Unsecured Asbestos Personal Injury Claim relating to Asbestos In-Place Insurance Coverage; or
- an Asbestos Insurance Policy.

The full text of the Asbestos Insurance Company Injunction is set forth below:

(A) *Terms. In order to preserve and promote the property of the Estate, as well as the settlements contemplated by and provided for in the Plan, and to supplement where necessary the injunctive effect of the discharge and releases provided for in the Plan, pursuant to section 105(a) of the Bankruptcy Code, all Entities which have held or asserted, which hold or assert, or which may in the future hold or assert any Claim, Demand or cause of action (including, but not limited to any Unsecured Asbestos Personal Injury Claim or Demand or any Claim for or respecting any Asbestos Trust Expense) against a Settling Asbestos Insurance Company based upon, relating to, arising out of, attributable to, or in any way connected with any Unsecured Asbestos Personal Injury Claim or Demand, Asbestos In-Place Insurance Coverage or an Asbestos Insurance Policy, shall be permanently and forever stayed, restrained, and enjoined from taking any action against such Settling Asbestos Insurance Company for the purpose of directly or indirectly collecting, recovering, or receiving payments, satisfaction, or recovery with respect to any such Claim, Demand or cause of action, including, but not limited to:*

(i) *commencing, conducting, or continuing, in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including a judicial, arbitration, administrative, or other proceeding) in any forum with respect to any such Claim, Demand or cause of action against any Settling Asbestos Insurance Company, or against the property or interests in property of any Settling Asbestos Insurance Company;*

(ii) *enforcing, levying, attaching, collecting, or otherwise recovering, by any manner or means, whether directly or indirectly, any judgment, award, decree, or order against any Settling Asbestos Insurance Company or against the property or interests in property of any Settling Asbestos Insurance Company with respect to any such Claim, Demand or cause of action;*

(iii) *creating, perfecting, or otherwise enforcing, in any manner, directly or indirectly, any Lien of any kind against any Settling Asbestos Insurance Company or the property or interests in property of any Settling Asbestos Insurance Company with respect to any such Claim, Demand or cause of action;*

(iv) *except as otherwise specifically provided in the Plan, asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, reimbursement, or recoupment of any kind and in any manner, directly or indirectly, against any obligation due any Settling Asbestos Insurance Company or against the property or interests in property of any Settling Asbestos Insurance Company with respect to any such Claim, Demand or cause of action; and*

(v) *taking any act, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan Documents relating to such Claim, Demand or cause of action.*

(B) *Reservations. Notwithstanding anything to the contrary above, the Asbestos Insurance Company Injunction shall not enjoin, alter, diminish or impair:*

(i) *the rights of Entities to the treatment accorded them under Articles II and IV of the Plan, as applicable, including the rights of Entities with Unsecured Asbestos Personal Injury Claims or Demands to assert Unsecured Asbestos Personal Injury Claims against the Asbestos Trust in accordance with the Asbestos TDP;*

(ii) *the rights of Entities to assert any Claim, Demand, debt, obligation, or liability for payment of Asbestos Trust Expenses against the Asbestos Trust;*

(iii) *the enforceability of any of the Asbestos Insurance Policies or any Asbestos Insurance Settlement Agreement;*

(iv) *the rights of the Asbestos Trustees, if any, with regard to any Asbestos Insurance Company that is not a Settling Asbestos Insurance Company (with the Asbestos Trust being, and deemed to be, for all purposes of insurance and indemnity, the successor to the Debtors in respect of the Asbestos Personal Injury Claims or Demands and other recoveries);*

(v) *the rights of Entities to assert any Claim, Demand, debt, obligation or liability for payment against an Asbestos Insurance Company that is not an ASARCO Protected Party unless otherwise enjoined by order of the Bankruptcy Court or the District Court or estopped by a provision of this Plan; or*

(vi) *the rights of the Asbestos Trust or the Asbestos Trustees to seek relief from the Asbestos Insurance Company Injunction should a Settling Asbestos Insurance Company fail to fulfill all obligations under an Asbestos Insurance Settlement Agreement.*

(d) Limitation of Injunctions.

Notwithstanding any other provisions of the Plan to the contrary, the releases set forth in Article 12.1 and the Injunctions set forth in Articles 12.2 and 12.3 of the Plan, respectively, shall not serve to satisfy, discharge, release, or enjoin Claims by any Entity against the Asbestos Trust for payment of (1) Unsecured Asbestos Personal Injury Claims or Demands in accordance with the Asbestos TDP, or (2) Asbestos Trust Expenses, and such releases and/or Injunctions shall not enjoin Reorganized ASARCO or the Asbestos Trust from enforcing any Asbestos Insurance Policy or any Asbestos Insurance Settlement Agreement.

(e) Term of Certain Injunctions and Automatic Stay.

Article 13.1 of the Plan provides that all of the injunctions and/or stays provided for, in or in connection with the Reorganization Cases, whether pursuant to section 105, section 362, section 524, or any other provision of the Bankruptcy Code, other applicable law or court order, in effect immediately prior to Confirmation shall remain in full force and effect until the Injunctions become effective and thereafter if so provided in the Plan, the Confirmation Order or by their own terms. In addition, on and after Confirmation Date, the Debtors may seek further orders to preserve the status quo during the time between the Confirmation Date and the Effective Date.

Each of the Injunctions shall become effective on the Effective Date and shall continue in effect at all times thereafter, and may not be vacated, amended or modified after the Effective Date, except as otherwise provided herein.

Notwithstanding anything to the contrary contained in the Plan, all actions in the nature of those to be enjoined by the Injunctions shall be enjoined during the period between the Confirmation Date and the Effective Date.

(f) Setoffs and Recoupments.

Subject to the limitations provided in section 553 of the Bankruptcy Code, Article 14.7 of the Plan provides that Reorganized ASARCO or the Plan Administrator, as the case may be, may, but shall not be required to, offset against or recoup from the holder of any Allowed Claim on which payments or other distributions are to be made pursuant to the Plan any Claims of any nature that the Estates may have against the holder of such Claim. However, neither the failure to do so, nor the allowance of any Claim under the Plan, shall constitute a waiver or release by Reorganized ASARCO or the Plan Administrator, as the case may be, of any such Claim against such holder or right of setoff or recoupment that the Estates may have against the holder of such Allowed Claim.

(g) Section 346 Injunction.

In accordance with section 346 of the Bankruptcy Code, Article 12.5 of the Plan provides that, for purposes of any state or local law imposing a tax, income will not be realized by the Debtors and/or the Reorganized Debtors by reason of any forgiveness or discharge of indebtedness resulting from the consummation of the Plan. As a result, each state or local taxing authority will be permanently enjoined, after the Effective Date, from commencing, continuing, or taking any act to impose, collect, or recover in any manner any tax against the Debtors and/or the Reorganized Debtors arising by reason of the forgiveness or discharge of indebtedness under the Plan.

(h) Exoneration and Reliance.

Article 12.6 of the Plan sets forth protections for certain participants in the plan process. Under those provisions, the ASARCO Protected Parties will be protected from being held liable, other than for criminal liability, willful misconduct or bad faith, or *ultra vires* acts, to any holder of a Claim, Demand or Interest or any other Entity with respect to any action, omission, forbearance from action, decision, or exercise of discretion taken at any time prior to the Effective Date in connection with:

- the management or operation of the Debtors or the discharge of their duties under the Bankruptcy Code;
- the implementation of any of the transactions provided for, or contemplated in, the Plan or the other Plan Documents;
- any action taken in connection with either the enforcement of the rights of any Debtor against any Entities or the defense of Claims or Demands asserted against any such Debtor with regard to the Reorganization Cases;
- any action taken in the negotiation, formulation, preparation, development, proposal, solicitation, disclosure, Confirmation, or implementation of the Plan, the other Plan Documents or related agreements, instruments or other documents;
- the administration of the Plan or the assets and property to be distributed pursuant to the Plan; or
- the administration of the Estates

The ASARCO Protected Parties shall be deemed to have participated in the Reorganization Cases in good faith and in compliance with the applicable provisions of the Bankruptcy Code.

Nothing in Article 12.6 of the Plan shall prevent the enforcement of the terms of the Plan.

If the holder of a Claim, Demand or Interest or other Entity other than a Governmental Unit brings an action, suit or proceeding covered by Article 12.6 of the Plan and does not prevail, such holder or other Entity must pay the reasonable attorneys' fees and costs of the ASARCO Protected Party. Moreover, as a condition to going forward with such action, suit, or proceeding, the holder of a Claim, Demand or Interest or other Entity must, at the outset, provide appropriate

proof and assurances of its capacity to pay the ASARCO Protected Party's reasonable attorneys' fees and costs in the event the holder or other Entity fails to prevail. In order for a holder of a Claim, Demand or Interest or other Entity to be considered a prevailing party, such party must be awarded an enforceable judgment on the merits that constitutes a material alteration of the legal relationship between such party and an ASARCO Protected Party, and does not include a judgment that awards nominal damages. Article 12.7 of the Plan does not impose any obligation on any ASARCO Protected Party to pay, or provide appropriate proof and financial assurance of its capacity to pay, reasonable attorneys' fees and costs in the event that the holder of a Claim, Demand or Interest or other Entity prevails in an such action, suit or proceeding against such ASARCO Protected Party.

3.11 Additional Releases.

Article 12.8 of the Plan provides that, except with respect to Liabilities expressly assumed by the Environmental Custodial Trustees, on and as of the Effective Date, and for good and valuable consideration, each ASARCO Protected Party (acting in any capacity whatsoever) shall be forever released and discharged from any and all Claims, Demands, obligations, actions, suits, rights, debts, accounts, causes of action, remedies, avoidance actions, agreements, promises, damages, judgments, demands, defenses, rights or claims in respect of equitable subordination, and liabilities through the Effective Date (including all Claims and Demands based on or arising out of facts or circumstances that existed as of or prior to the Plan in the Reorganization Cases and further including any derivative claims asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtors, their Estates, or the Reorganized Debtors would have been legally entitled to assert in their own right, whether individually or collectively) which any of the Debtors, their Estates, the Reorganized Debtors, Claimants, holders of Demands or other Persons receiving or who are entitled to receive distributions under the Plan may have against them in any way related to the Reorganization Cases or the Debtors (or their predecessors or Affiliates). The ASARCO Protected Parties shall not be responsible for any obligations of the Debtors except those expressly assumed by those parties in this Plan (and only to the extent so assumed). The releases provided for in this paragraph shall not extend to any claims by any governmental agency with respect to criminal liability, willful misconduct or bad faith, or *ultra vires* acts.

3.12 Exculpation.

Article 12.9(a) of the Plan provides that, except in the case of a judicial finding by a Final Order of (a) willful misconduct or bad faith or (b) any criminal liability or liability for ultra vires acts asserted by any governmental agency, no ASARCO Protected Party (acting in any capacity whatsoever), shall be liable to any Person or Entity for any action, failure or omission to act or other matter related to the Debtors and/or any of the Reorganization Cases including those activities described in Article 12.6 of the Plan, through and including the Effective Date. All parties are permanently enjoined from initiating a suit against any ASARCO Protected Party, except in the case of a judicial finding by a Final Order of (a) actions for willful misconduct or bad faith, or (b) any criminal liability or liability for ultra vires acts asserted by any governmental agency. Any such action shall be brought in the Bankruptcy Court within ninety (90) days after the Effective Date. Nothing in Article 12.9 of the Plan shall prevent the enforcement of the terms of the Plan.

3.13 Indemnity.

Article 12.9(b) of the Plan provides that Reorganized ASARCO shall defend, hold harmless, and indemnify to the fullest extent permitted by applicable law the Protected Directors and Officers and other appropriate parties with respect to any Claim, Demand or liability arising from any action, failure or omission to act or other matter related to the Debtors and/or any of the Reorganization Cases through and including the Effective Date. If and whenever any indemnified party is, or is threatened to be made, a party to any action, suit, arbitration, investigation or other proceeding that might give rise to a right of indemnification under Article 12.9 of the Plan, Reorganized ASARCO shall, to the extent permitted by applicable law, reimburse that indemnified party all expenses (including attorneys' fees) reasonably incurred by or on behalf of that indemnified party in connection therewith within 60 days after Reorganized ASARCO receives a statement or statements from that indemnified party requesting reimbursement from time to time, whether prior to or after final disposition of such action, suit, arbitration or investigation or other proceeding. In furtherance of these obligations, Reorganized ASARCO shall maintain an escrow account in the amount of $20 million to address its anticipated indemnification obligations (the "Indemnification Escrow"). Prior to the Effective Date, ASARCO shall purchase an errors and omissions insurance policy for the benefit of such indemnified parties in an amount equal to the coverage currently maintained by the Debtors. The term of the policy shall be six (6) years following the Effective Date. In addition, prior to the Effective Date, ASARCO shall exercise the six-year run-off option available under its existing directors and officers liability insurance. The Protected Officers and Directors shall be entitled to retain independent counsel in connection with any Claim or liability asserted against them in connection with their service in the Reorganization Cases and to assist them with any issues arising

in connection with the termination of their services as officers or directors. The fees and expenses of such counsel shall be paid out of the Indemnification Escrow.

As soon as practicable after the sixth year anniversary of the Effective Date or upon such later date as Reorganized ASARCO deems it appropriate, Reorganized ASARCO shall distribute any funds remaining in the Indemnification Escrow as a Subsequent Distribution, in accordance with the terms and conditions of the Plan and the Confirmation Order, to the unpaid Claimants in the following order of priority: first, to satisfy the Class 5 and Class 9 Principal Payment; second, to satisfy the Pro Rata Post-Petition Interest Payment; third, to satisfy the Class 5 and Class 9 Supplemental Distribution; fourth, to holders of Allowed Class 10 Late-Filed Claims; fifth, to holders of Allowed Class 11 Subordinated Claims; and finally, to the holders of Class 12 Interests.

3.14 Releases by Holders of Claims, Demands and Interests.

On the Effective Date, holders of Claims, Demands and Interests (a) voting to accept the Plan or (b) abstaining from voting on the Plan and failing to opt out of the release contained in this Article 12.10 shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged the ASARCO Protected Parties from any and all Claims, Demands, Interests, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, including any derivative claims asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that such holder of a Claim, Demand or Interest would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, (a) the Debtors, (b) the Reorganization Cases, (c) the subject matter of, or the transactions or events giving rise to, any Claim, Demand or Interest, (d) the business or contractual arrangements between any Debtor and any ASARCO Protected Party, (e) the restructuring of Claims, Demands and Interests prior to or in the Reorganization Cases, (f) the negotiation, formulation, or preparation of this Plan, the Plan Documents or related agreements, instruments or other documents, (g) any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, other than Claims, Demands or Liabilities arising out of or relating to any action or omission of an ASARCO Protected Party that constitutes a failure to perform the duty to act in good faith, with the care of an ordinarily prudent person and in a manner the ASARCO Protected Party reasonably believed to be in the best interests of the Debtors (to the extent such duty is imposed by applicable non-bankruptcy law) where such failure to perform constitutes willful misconduct or gross negligence.

3.15 Release of Fraudulent Transfer Claims Against Settling Asbestos Insurance Companies.

Pursuant to Article 12.11 of the Plan, all fraudulent transfer claims against any Settling Asbestos Insurance Company arising under sections 549 or 550 of the Bankruptcy Code or otherwise with respect to the Claims, rights or interests released under the Asbestos Insurance Settlement Agreement shall be released, and the Asbestos Trust shall have no authority to bring any fraudulent transfer actions arising under any applicable state or other non-bankruptcy law against any Settling Asbestos Insurance Company with respect to the Claims, rights and interests released under the Asbestos Insurance Settlement Agreement. Article 12.11 of the Plan does not apply to any of the existing Avoidance Actions against certain Asbestos Insurance Companies that entered into prepetition settlement agreements, as listed on **Exhibit 14-C** to the Plan.

3.16 Limitation Regarding Governmental Agencies.

The releases, discharges, satisfactions, exonerations, exculpations, and injunctions provided under this Plan (including but not limited to those in Articles 12.1, 12.6, 12.8, 12.9, and 12.10 hereof) or the Confirmation Order shall not apply to any liability to a governmental agency arising after the Effective Date; *provided, however*, that, except as otherwise expressly provided in the Plan, no governmental agency shall assert any Claim or other cause of action under Environmental Laws against the Plan Administrator, Plan Administration Reserve, or Miscellaneous Plan Administration Accounts, except provided, further, however, that nothing in this Plan or the Confirmation Order releases, discharges, precludes, or enjoins the enforcement of any liability to a governmental agency under Environmental Law that any Entity would be subject to as the owner or operator of property after the date of entry of the Confirmation Order or any criminal liability (other than criminal liabilities that are dischargeable). Nothing in Article 12 of the Plan shall be construed to preclude enforcement by the United States or a State of any requirement under an Environmental Custodial Trust Agreement against an Environmental Custodial Trustee.

3.17 Certain Matters Incident to Plan Confirmation.

(a) No Successor Liability.

Article 13.3(a) of the Plan provides that, except as otherwise expressly provided in the Plan, the ASARCO Protected Parties are not successors or successors-in-interest to the Debtors or to any Entity for which the Debtors may be held legally responsible, by reason of any theory of law or equity, and none can be responsible for any successor or transferee liability of any kind or character. Article 13.3(b) of the Plan also provides that the ASARCO Protected Parties do not agree to perform, pay, or indemnify creditors or otherwise have any responsibilities for any liabilities or obligations of the Debtors or the Reorganized Debtors whether arising before, on, or after the Confirmation Date, except as otherwise expressly provided in the Plan.

(b) Revesting of Assets.

Revesting of assets in Reorganized ASARCO is addressed in Article 11.19 of the Plan, which provides that, except as otherwise expressly provided in the Plan, on the Effective Date, the Sold Assets shall vest in the Plan Sponsor, free and clear of all Claims, Liens, encumbrances, charges, and other interests of holders of Claims, Demands or Interests, except for Permitted Liens and the Assumed Liabilities. Except as otherwise provided in the Plan or the Plan Documents, on the Effective Date, the Available Plan Sales Proceeds, the Distributable Cash and the Remaining Assets shall vest in Reorganized ASARCO, which may operate free of any restrictions imposed by the Bankruptcy Code or by the Bankruptcy Court. The Madera Property and $_____ in Cash shall vest in Reorganized Covington, which may operate free of any restrictions imposed by the Bankruptcy Code or by the Bankruptcy Court.

(c) Vesting and Enforcement of Causes of Action.

The causes of action retained by ASARCO (as listed in **Exhibit 14-A** to the Plan) shall vest in Reorganized ASARCO (the "Vested Causes of Action"). The Plan Administrator (after consultation with and approval by the Plan Administration Committee) shall be authorized to prosecute, compromise and settle, abandon, release or dismiss the Vested Causes of Action, without need for approval by the Bankruptcy Court.

The Litigation Trust Claims (as listed in **Exhibit 14-B** to the Plan) shall vest in the Litigation Trustee. The Litigation Trust, upon the direction of the Litigation Trust Board, may prosecute, compromise and settle, abandon, release or dismiss the Litigation Trust Claims, without need for approval by the Bankruptcy Court.

The Asbestos Insurance Actions (as listed in **Exhibit 14-C** to the Plan) shall vest in the Asbestos Trustees and may be pursued or compromised as deemed fit by the Asbestos Trustees in their sole discretion without need for approval of the Bankruptcy Court.

(d) Settlement of Certain Causes of Action.

Sections 11.26, 11.27, 11.28 and 11.29 of the Plan provide that Confirmation of the Plan will constitute approval pursuant to Bankruptcy Rule 9019 of all Asbestos Insurance Settlement Agreements (if any), all Environmental Custodial Trust Settlements, the Miscellaneous Federal and State Environmental Settlements, the Residual Environmental Settlements, the Asbestos Settlement Agreement and the Mission Mine Settlement Agreement.

(e) Asbestos Insurance Actions and Asbestos Insurance Recoveries.

Article 8.4 of the Plan provides that the right to control the Asbestos Insurance Actions and all Asbestos Insurance Recoveries, including negotiations relating thereto, and settlements thereof will be vested in the Asbestos Trust on and after the Effective Date.

(f) Assumption and Rejection of Unexpired Leases and Executory Contracts.

Under Article 9.1 of the Plan, on the Effective Date, except as otherwise provided in the Plan, any unexpired lease or executory contract that has not been previously assumed or rejected by a Debtor pursuant to an order of the Bankruptcy Court shall be deemed rejected by such Debtor under sections 365(a) and 1123 of the Bankruptcy Code, other than those executory contracts and unexpired leases that are (a) listed on **Exhibit 2** to the Plan (as such list may be amended,

supplemented or modified up to and including the Confirmation Date) or (b) subject to a motion to assume that is pending on the Effective Date. Entry of the Confirmation Order shall constitute approval of (a) such rejections, and (b)(1) the assumption by ASARCO and assignment to the Plan Sponsor of the executory contracts and/or unexpired leases listed in **Exhibit 2-A** hereto, (2) the assumption by ASARCO and assignment to an Environmental Custodial Trust of the executory contracts and/or unexpired leases listed in **Exhibit 2-B** hereto, and (3) the assumption by the applicable Debtor and assignment to Reorganized ASARCO or Reorganized Covington of the executory contracts and/or unexpired leases listed in **Exhibit 2-C** hereto (as each such list may be amended, supplemented or modified up to and including the Confirmation Date), pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Any motions to assume executory contracts and unexpired leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order. The executory contracts and unexpired leases assumed pursuant to this Article 9.1 or by any order of the Bankruptcy Court shall be assigned to the Plan Sponsor, an Environmental Custodial Trust, Reorganized ASARCO or Reorganized Covington (as specified on **Exhibit 2** or the applicable order) as of the Effective Date. The Plan Sponsor has reached a collective bargaining agreement with the USW and other unions that modifies the Debtors' CBA. The CBA, which will be assumed as modified and extended through 2013, is expected to provide long-term labor peace and stability.

Pursuant to Article 9.6 of the Plan, to the extent that such Claims constitute monetary defaults, the Cure Amount Claims shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by the Debtors: (1) by payment of the Cure Amount Claim on the Effective Date; or (2) on such other terms as are agreed to by the Debtors and the non-debtor parties to the executory contract or unexpired lease. In the event of a dispute regarding (A) the amount of any Cure Amount Claim; (B) the ability of the Plan Sponsor to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed and assigned; or (C) any other matter pertaining to assumption and assignment of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving the dispute and approving the assumption and assignment (except as otherwise provided in Article 9.6(b) of the Plan).

Pursuant to section 2.5(d) of the Plan Sponsor PSA, at the Closing, ASARCO shall deliver to the Plan Sponsor a statement of any Unpaid Cure Claims Amount (as such term is defined in the Plan Sponsor PSA) and the executory contract or unexpired lease corresponding thereto, including a calculation thereof. The Plan Sponsor shall be permitted (but not required), within 30 days after receipt of such statement, to pay any Unpaid Cure Claims Amount, and within 10 days after any such payment, the Plan Sponsor shall provide a written notice to ASARCO of such payment. To the extent the Plan Sponsor pays any Unpaid Cure Claims Amount pursuant to section 2.5(d) of the Plan Sponsor PSA, Reorganized ASARCO shall, within 10 days of receipt of notice from the Plan Sponsor delivered in accordance with section 2.5(d) thereof, reimburse the Plan Sponsor in the amount of such payment; provided that, the Confirmation Order shall provide that, as between the Sellers and the counterparty of the underlying contract or lease, (1) neither the payment nor the reimbursement of a disputed Unpaid Cure Claims Amount shall constitute a waiver, admission or estoppel in respect of any claims or defenses that ASARCO or Reorganized ASARCO may have related to such Unpaid Cure Claims Amount or the underlying contract or lease and (2) the right of ASARCO or Reorganized ASARCO to object, assert any counterclaim or exercise any setoff or other rights in connection with such Unpaid Cure Claims Amount or the underlying contractor lease shall be preserved regardless of any such payment or reimbursement; *provided, however*, that failure of the Confirmation Order to so provide shall not relieve the Sellers of their payment obligations as set forth in section 2.5(d) of the Plan Sponsor PSA.

Article 9.5 of the Plan provides that Claims arising out of the rejection of executory contracts and unexpired leases must be filed and served upon Reorganized ASARCO and the Plan Administrator no later than thirty (30) days after the Effective Date or the date of entry of an order approving such rejection. Rejection Claims will be treated as Class 3 Trade and General Unsecured Claims.

Pursuant to Article 9.4 of the Plan, the Bankruptcy Court shall determine the amount, if any, of the Claim of any Entity seeking damages by reason of the rejection of any executory contract or unexpired lease to which it is a counterparty.

(g) Contracts and Leases Entered Into After the Petition Date.

Article 9.7 of the Plan provides that contracts and leases entered into after the Petition Date (including any executory contracts and unexpired leases assumed by ASARCO prior to the date of the Plan Sponsor PSA or that are assumed by ASARCO in accordance with section 2.5 of the Plan Sponsor PSA), but if entered into after the date of the Plan Sponsor PSA, solely to the extent entered into by ASARCO in the Ordinary Course of Business, shall be assigned to the Plan Sponsor pursuant to the Plan Sponsor PSA and performed by the Plan Sponsor thereunder in the ordinary course of its business.

(h) Employee Benefits Plans and Other Benefits.

Article 9.8(a) of the Plan provides that as of the Closing Date, the Plan Sponsor shall adopt and become the sponsor and employer for purposes of each and every Employee Benefit Plan set forth in section 8.3 of the Disclosure Schedule and shall be substituted for ASARCO or its Subsidiaries that had theretofore been the sponsor of such Employee Benefit Plan. Effective as of the Closing, the Plan Sponsor shall be responsible for all benefits and liabilities with respect to such Employee Benefit Plans, as such Employee Benefit Plans may be amended or modified from time to time by written agreement between the Plan Sponsor and the Unions after the Closing Date.

Pursuant to Article 9.8(b) of the Plan, with respect to each Transferred Employee (as such term is defined in the Plan Sponsor PSA) (including any beneficiary or the dependent thereof), all of ASARCO's liabilities and obligations arising under any Employee Benefit Plans and workers' compensation benefits, even if such liability or obligation relates to Claims incurred (whether or not reported or paid) prior to the Closing Date, shall be deemed to be, and shall be treated as though they are, executory contracts that are deemed assumed and assigned to the Plan Sponsor under this Plan pursuant to sections 365(a), 365(f) and 1123 of the Bankruptcy Code.

Article 9.8(c) of the Plan provides that, effective as of the Closing Date, the Plan Sponsor shall be responsible for providing coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") to any Employee (as such term is defined in section 8.1 of the Plan Sponsor PSA), his or her spouse or dependent person as to whom a "qualifying event" as defined in section 4890B of the Internal Revenue Code has occurred (1) prior to the Closing Date in the case of a "qualifying event" other than a termination of employment and (2) in the case of a termination of employment "qualifying event" on or prior to the Closing Date. Purchaser shall also be responsible for providing COBRA coverage to any Employee, his or her spouse or dependent person as to whom a "qualifying event" occurs on or after the Closing Date including for a "qualifying event" that is a termination of employment on the Closing Date.

Article 9.8(d) of the Plan provides that the Plan Sponsor shall assume and be responsible for all of ASARCO's obligations under the Coal Act, including the obligations (1) to provide retiree health benefits to eligible beneficiaries and their dependents pursuant to section 9711 of the Coal Act, 26 U.S.C. § 9711; (2) to pay the annual prefunding premium and the monthly per beneficiary premium required pursuant to section 9712(d)(1)(A) and (B) of the Coal Act, 26 U.S.C. § 9712(d)(1)(A) and (B); and (3) to provide security to the UMWA 1992 Benefit Plan pursuant to section 9712(d)(1)(C) of the Coal Act, 26 U.S.C. § 9712(d)(1)(C).

(i) Bonds and Assurances.

Article 9.9 of the Plan provides that, prior to Closing, the Plan Sponsor shall cause ASARCO to be fully, unconditionally and irrevocably released and discharged from the Bonds and Assurances (as such term is defined in the Plan Sponsor PSA) and replace the Bonds and Assurances or act as a substituted obligor, guarantor or other counterparty to the Bonds and Assurances as required for the continued operation of the Business; *provided, however*, that the surety bonds listed in section 2.2(j) of the Disclosure Schedule shall be retained by ASARCO and shall revest in Reorganized ASARCO on the Effective Date.

(j) Post-Effective Date Status of the Committees and the FCR.

The Committees and the FCR shall continue in existence until the Effective Date, with the Debtors to pay the reasonable fees and expenses of the Committees and the FCR and their counsel and advisors through that date in accordance with the fee and expense procedures promulgated during the Reorganization Cases.

Article 16.5 of the Plan provides that on and after the Effective Date, the position of FCR shall continue pursuant to orders issued by the Bankruptcy Court during the Reorganization Cases, providing that the FCR thereafter shall have the functions and rights provided in the Asbestos Trust Documents.

On the Effective Date, the Committees shall be dissolved and the members, attorneys, accountants, and other professionals thereof shall be released and discharged of and from all further authority, duties, and responsibilities related to, or arising from, the Reorganization Cases, except that the Committees and the FCR will continue in existence after the Effective Date for the duration of any appeal of the Confirmation Order. The Committees and the FCR also have standing to participate in proceedings brought by their respective professionals or, if applicable, members for allowance of fees and reimbursement of expenses for services rendered during the pendency of the Reorganization Cases and for services rendered to the Committees or the FCR during the pendency of any appeal of the Confirmation Order.

(k) Effectuating Documents and Further Transactions.

Under Article 11.23 of the Plan, the chief executive officer, president, chief financial officer, general counsel, secretary, treasurer, any vice president or managing member (if applicable) of each Debtor and/or the Reorganized Debtors shall be authorized, to the extent consistent with the Debtor's constituent documents, to execute, deliver, file, or record such contracts, instruments, settlement agreements, releases, indentures, and other agreements or documents and to take or direct such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan. The secretary or any assistant secretary of each Debtor authorized to certify or attest to any of the foregoing actions.

(l) Debtors' Right to Modify the Plan.

As provided in Article 16.6 of the Plan, the Debtors may alter, amend or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date; *provided, however*, that ASARCO shall not, without the prior written consent of the Plan Sponsor, seek to amend or modify any provision of the Bid Protections Order, the Disclosure Statement, the Plan or the Confirmation Order to effect a change in the terms and conditions of the transactions contemplated by the Plan Sponsor PSA which would reasonably be expected to have a material adverse effect on the Plan Sponsor (or the Plan Sponsor Parent) or on the ability of the Sellers and Plan Sponsor (and Plan Sponsor Parent) to consummate the transactions contemplated by the Plan Sponsor PSA within the time periods set forth in sections 7.7(a) and 12.1 thereof. After the Confirmation Date, the Debtors may, under section 1127(b) of the Bankruptcy Code, seek Bankruptcy Court approval to remedy any defects or omissions or reconcile any inconsistencies in the Plan or the Confirmation Order in such manner as may be necessary to carry out the purposes and intent of the Plan, so long as the proposed alteration, amendment or modification does not adversely affect the treatment of Claims or Interests under the Plan and would not reasonably be expected to have a material adverse effect on the Plan Sponsor, the Plan Sponsor Parent or on the ability to consummate the transactions contemplated by the Plan Sponsor PSA.

(m) Debtors' Right to Revoke or Withdraw the Plan.

As provided in Article 16.7 of the Plan, the Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Hearing and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then (1) the Plan shall be null and void in all respects, (2) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or unexpired leases under the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void, and (3) nothing contained in the Plan shall (A) constitute a waiver or release of any Claims by or against, or Interests in, such Debtors or any other Person, (B) prejudice in any manner the rights of such Debtors or any other Person, or (C) constitute an admission of any sort by the Debtors or any other Person.

(n) Rules Governing Conflicts Between Documents.

In the event of a conflict between the terms or provisions of the Plan and the Plan Documents, the terms of the Plan shall control over the Plan Documents. In the event of a conflict between the terms of the Plan or the Plan Documents, on the one hand, and the terms of the Confirmation Order, on the other hand, the terms of the Confirmation Order shall control. In the event of a conflict between the information contained in this Disclosure Statement and the Plan or any other Plan Document, the Plan or other Plan Document (as the case may be) will control.

(o) Governing Law.

Article 16.14 of the Plan provides that, except to the extent that federal law (including, but not limited to, the Bankruptcy Code and the Bankruptcy Rules) is applicable or the Plan provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas without giving effect to its conflicts of law principles.

3.18 Retention of Jurisdiction.

(a) Jurisdiction.

Article 16.1 of the Plan provides that until the Reorganization Cases are closed, the Bankruptcy Court (and with respect to the Permanent Channeling Injunction and the Asbestos Insurance Company Injunction, the District Court) will retain the fullest and most extensive jurisdiction permissible, including the jurisdiction necessary:

- to ensure that the purposes and intent of the Plan are carried out;
- to enforce and interpret the terms and conditions of Plan Documents; and
- to enter such orders and judgments necessary to enforce the rights, title, and powers of a Debtor, a Reorganized Debtor, Settling Asbestos Insurance Company, the Plan Sponsor and/or other ASARCO Protected Party.

Article 16.2 of the Plan provides that the Asbestos Trust and the Environmental Custodial Trusts will be subject to the continuing jurisdiction of the Bankruptcy Court in accordance with the requirements of the section 468B of the Internal Revenue Code and the regulations issued pursuant thereto.

In addition to the general retention provided for in Articles 16.1 and 16.2 of the Plan, the Plan provides for the Bankruptcy Court to retain jurisdiction after Confirmation to:

(1) modify the Plan after entry of the Confirmation Order, pursuant to the provisions of the Plan, the Bankruptcy Code, and the Bankruptcy Rules;

(2) correct any defect, cure any omission, reconcile any inconsistency, or make any other necessary changes or modifications in or to the Plan, the Plan Documents, or the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan;

(3) hear and determine any cause of action, and to enter and implement such orders as may be necessary or appropriate, to execute, interpret, implement, consummate, or enforce the Plan, the Plan Documents and the transactions contemplated thereunder;

(4) hear and determine disputes arising in connection with the execution, interpretation, implementation, consummation, or enforcement of the Plan, including without limitation the Plan Documents, and to enforce, including by specific performance, the provisions of the Plan and the Plan Documents;

(5) hear and determine disputes arising in connection with the execution, interpretation, implementation, consummation, or enforcement of the Plan Sponsor PSA, settlement agreements, asset purchase agreements and other agreements entered into by the Debtors during the Reorganization Cases (the "Other Agreements"), and to enforce, including by specific performance, the provisions of settlement agreements, asset purchase agreements and Other Agreements;

(6) enter and implement orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the consummation or implementation of the Plan, including, without limitation, to issue, administer, and enforce injunctions, releases, assignments, transfers of property or property rights, or other obligations contained in the Plan and the Confirmation Order;

(7) assure the performance by Reorganized ASARCO, the Plan Administrator and the Trustees of their respective obligations to make distributions under the Plan and other Plan Documents;

(8) enter such orders or judgments, including injunctions as necessary to enforce the title, rights, and powers of the Debtors, the Reorganized Debtors, the Plan Sponsor, the Plan Administrator and the Trusts;

(9) hear and determine any and all motions, applications or adversary proceedings brought by or against the Trusts related to (A) enforcement or interpretation of the Trust Documents and (B) amendment, modification, alteration or repeal of any provision of the Trust Documents, if such hearing and determination by the Bankruptcy Court is required pursuant to the Plan;

(10) hear and determine any and all adversary proceedings, applications, and contested matters, including any remands after appeal;

(11) ensure that distributions to holders of Allowed Claims and Demands are accomplished as provided in the Plan;

(12) hear and determine any timely objections to or motions or applications concerning Claims or the allowance, classification, priority, compromise, setoff, estimation, or payment of any Claim, to the fullest extent permitted by the provisions of section 157 of title 28 of the United States Code;

(13) enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed, or vacated;

(14) hear and determine any motions, contested matters or adversary proceedings involving taxes, tax refunds, tax attributes, tax benefits, and similar or related matters with respect to the Debtors, the Reorganized Debtors, the Plan Administrator and/or the Trusts arising on or prior to the Effective Date, arising on account of transactions contemplated by the Plan Documents, or relating to the period of administration of the Reorganization Cases;

(15) hear and determine all applications for compensation of Professional Persons and reimbursement of expenses under sections 330, 331, or 503(b) of the Bankruptcy Code;

(16) hear and determine any causes of action relating to any of the Debtors, the Reorganized Debtors or the Trusts to the fullest extent permitted by section 157 of title 28 of the United States Code;

(17) hear and determine any cause of action in any way related to the Plan Documents or the transactions contemplated thereby, against the ASARCO Protected Parties;

(18) recover all assets of the Debtor and property of the Estate, wherever located, including actions under chapter 5 of the Bankruptcy Code;

(19) hear and determine any and all motions pending as of the Confirmation Date for the rejection, assumption, or assignment of executory contracts or unexpired leases and the allowance of any Claim resulting therefrom;

(20) hear and determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(21) consider and act on the compromise and settlement of any Claim against, or Interest in, the Debtors or their Estates including, without limitation, any disputes relating to Administrative Claims, any Bar Date or Bar Date Order;

(22) hear and determine all questions and disputes regarding title to the assets of the Debtors, their Estates and/or the Trusts;

(23) hear and determine any other matters related hereto, including the implementation and enforcement of all orders entered by the Bankruptcy Court in these Reorganization Cases;

(24) retain continuing jurisdiction with regard to the Asbestos Trust and the Environmental Custodial Trusts (including the Environmental Custodial Trust Accounts) sufficient to satisfy the requirements of Treas. Reg. section 1.468B-1;

(25) hear and determine any and all applications brought by the Asbestos Trustees to amend, modify, alter, or repeal any provision of the Asbestos Trust Agreement or the Asbestos TDP pursuant to the Asbestos Trust Agreement and to declare or resolve all issues or disputes contemplated by the Asbestos Trust Agreement;

(26) enter and implement orders extending the Asbestos Insurance Company Injunction to insurance companies that become Settling Asbestos Insurance Companies after the Effective Date;

(27) enter such orders as are necessary to implement and enforce the Injunctions; and

(28) hear and determine any other matter not inconsistent with the Bankruptcy Code and title 28 of the United States Code that may arise in connection with or related to the Plan.

(b) Exclusive Jurisdiction of District Court Over Certain Matters.

Under Article 16.4 of the Plan, the District Court shall, without regard to the amount in controversy, retain exclusive jurisdiction after Confirmation over matters relating to section 524(g) of the Bankruptcy Code and the Permanent Channeling Injunction and the Asbestos Insurance Company Injunction, including, without limitation, the enforcement, validity, application, construction or modification of the Permanent Channeling Injunction and the Asbestos Insurance Company Injunction, or of section 524(g) of the Bankruptcy Code with respect to the Permanent Channeling Injunction and the Asbestos Insurance Company Injunction; *provided, however*, that, from and after the Effective Date, the jurisdiction of the District Court shall be non-exclusive with respect to any Asbestos Insurance Action or Asbestos Insurance Recovery. Nothing contained herein shall be deemed a finding or conclusion that: (a) the Bankruptcy Court or District Court in fact have jurisdiction with respect to any Asbestos Insurance Action or Asbestos Insurance Recovery; (b) any such jurisdiction is exclusive with respect to any Asbestos Insurance Action or Asbestos Insurance Recovery; or (c) abstention or dismissal or reference of actions effecting the transfer of jurisdiction of any Asbestos Insurance Action or Asbestos Insurance Recovery pending in the Bankruptcy Court or District Court to another court is precluded, inadvisable or unwarranted. Any court other than the Bankruptcy Court or the District Court that has or is capable of having jurisdiction over any Asbestos Insurance Action or Asbestos Insurance Recovery shall have the right to exercise such jurisdiction.

Notwithstanding entry of the Confirmation Order and/or the occurrence of the Effective Date, the reference to the Bankruptcy Court pursuant to the Reference Order shall continue, but subject to Article 16.4 of the Plan and any other modifications or withdrawals of the reference specified in the Confirmation Order, the Reference Order, any case management order or other order of the District Court.

SECTION 4

THE LITIGATION TRUST

4.1 Creation of the Litigation Trust.

On the Effective Date, the Litigation Trust shall be created, and the Litigation Trust Claims shall be transferred to the Litigation Trust.

4.2 Appointment of Litigation Trustee.

(a) The Litigation Trustee shall be named in the Confirmation Order and, upon approval by the Bankruptcy Court in the Confirmation Order, shall become the Litigation Trustee on the Effective Date.

(b) The Litigation Trustee shall have and perform all of the duties, responsibilities, rights and obligations set forth in the Litigation Trust Agreement.

4.3 Litigation Trust Board.

As more fully described in the Litigation Trust Agreement, on the Effective Date, the Litigation Trust Board shall be formed and constituted. The Litigation Trust Board shall initially consist of three members, who shall be

named in the Confirmation Order and selected by the Debtors upon the recommendation of the Committees, the FCR and the DOJ. The members of the Litigation Trust Board shall be identified at or prior to the Confirmation Hearing.

4.4 Purpose of the Litigation Trust.

The Litigation Trust shall be established for the sole purpose of liquidating its assets for the benefit of the Litigation Trust Beneficiaries, with no objective or authority to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidation purpose of the Litigation Trust and the Plan. Accordingly, upon direction of the Litigation Trust Board, the Litigation Trustee will, in an expeditious but orderly manner, liquidate and convert to Cash the Litigation Trust Claims, make timely distributions to the Litigation Trust Beneficiaries and not unduly prolong the Litigation Trust's duration.

4.5 Transfer of Litigation Trust Claims to the Litigation Trustee.

On the Effective Date, the Debtors shall transfer to the Litigation Trustee for the benefit of the Litigation Trust Beneficiaries (a) all of their rights, title, and interests in the Litigation Trust Claims free and clear of any and all Liens, Claims, encumbrances or interests of any kind in such property of any other Person or Entity, (b) all of the Debtors' rights, title and interest in the Debtors' Privileges associated with the Litigation Trust Claims, (c) the Litigation Expense Fund in an amount sufficient to fund the operations of the Litigation Trust and (d) all documents in connection with the Litigation Trust Claims.

4.6 The Litigation Trust.

(a) On the Effective Date, the Litigation Trust shall be established and become effective for the benefit of the Litigation Trust Beneficiaries entitled to distributions from the Litigation Trust under the Plan. The Litigation Trust Agreement, substantially in the form of **Exhibit 4** to the Plan, contains provisions customary to trust agreements utilized in comparable circumstances, including but not limited to, provisions to ensure the continued existence of the Litigation Trust as a grantor trust and the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) as the grantors and owners thereof for federal income tax purposes. The Debtors, the Litigation Trustee, the members of the Litigation Trust Board, the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) and the Delaware Trustee will execute any document or other instruments as necessary to cause title to the Litigation Trust Claims to be transferred to the Litigation Trust.

(b) Upon direction of the Litigation Trust Board, the Litigation Trustee shall have full authority to take any steps necessary to administer the Litigation Trust Claims, including, without limitation, the duty and obligation to liquidate the Litigation Trust Claims.

(c) All costs and expenses associated with the administration of the Litigation Trust shall be the responsibility of and paid by the Litigation Trust. Notwithstanding the foregoing, Reorganized ASARCO and the Plan Sponsor shall cooperate with the Litigation Trustee in pursuing the Litigation Trust Claims and shall provide reasonable access to personnel and books and records of Reorganized ASARCO and the Plan Sponsor relating to the Litigation Trust Claims to representatives of the Litigation Trust to enable the Litigation Trustee to perform the Litigation Trustee's tasks under the Litigation Trust Agreement and the Plan.

(d) The Litigation Trustee may retain such law firms, accounting firms, experts, advisors, consultants, investigators, appraisers, or other professionals as it may deem necessary, in consultation with the Litigation Trust Board, and at the sole expense of the Litigation Trust, to aid in the performance of the Litigation Trustee's responsibilities pursuant to the terms of the Plan including, without limitation, the liquidation and distribution of Litigation Trust Claims.

(e) For federal income tax purposes, the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) will be treated as grantors and owners of the Litigation Trust, and it is intended that the Litigation Trust be classified as a liquidating trust under section 301.7701-4(d) of the Treasury Regulations and that such trust is owned by the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust). Accordingly, for all federal income tax purposes, the transfer of assets to the Litigation Trust will be treated as a deemed transfer to the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust), followed by a deemed transfer by the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) to the Litigation

Trust and all income and gain of the Litigation Trust which is earned after such deemed transfer will be taxed to the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) on a current basis. In addition, the investment powers of the Litigation Trustee shall be limited to those powers that are consistent with the treatment of the Litigation Trust as a liquidating trust.

(f) The fair market value of the portion of the Litigation Trust Claims that is treated as having been transferred to each Litigation Trust Beneficiary as described in the preceding paragraph shall be determined by the Litigation Trustee, and all parties (including the Debtors, Reorganized ASARCO, the Litigation Trustee, the Litigation Trust Beneficiaries and any other Claimants that may be entitled to receive distributions from the Litigation Trust) shall utilize such fair market value determined by the Litigation Trustee in all U.S. federal income tax returns filed by such parties.

(g) The Litigation Trustee shall be responsible for filing all federal, state and local tax returns for the Litigation Trust. The Litigation Trustee shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all distributions made by the Litigation Trustee shall be subject to any such withholding and reporting requirements.

(h) Any items of income, deduction, credit or loss of the Litigation Trust shall be allocated by the Litigation Trustee for federal income tax purposes among the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) pro rata on the basis of their beneficial interests in the Litigation Trust, such allocation shall be binding on all parties for all federal and state and local income tax purposes and the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) shall be responsible for the payment of any federal and state and local income tax due on the income and gain so allocated to them.

(i) In the event that one or more of the Debtors obtains approval, pursuant to Bankruptcy Rule 9019, of a settlement prior to the Effective Date of a cause of action that would have been transferred to the Litigation Trust on the Effective Date, the proceeds of the settlement shall be distributed to the Asbestos Trust and Class 9 in the same manner as the Litigation Trust Interests (*i.e.*, 50% to the Asbestos Trust and 50% to holders of Allowed Class 10 Residual Environmental Claims subject to payment of the Class 3, 4, 6, 7 and 8 Litigation Proceeds and the Asbestos Trust's Priority Litigation Proceeds in accordance with Article 6.8 of the Plan). In the event of such a settlement, the Debtors that are parties to the settlement shall hold the proceeds in escrow for distribution on the Effective Date.

4.7 Litigation Trust Interests.

(a) Distributions of Litigation Trust Interests.

On the Initial Distribution Date, the Litigation Trustee shall distribute the Litigation Trust Interests 50/50 between the Asbestos Trust and the holders of the Residual Environmental Claims.

(b) Interests Beneficial Only.

The ownership of a Litigation Trust Interest shall not entitle any Litigation Trust Beneficiary to (1) any title in or to the assets of the Litigation Trust as such (which title shall be vested in the Litigation Trustee) or to any right to call for a partition or division of the assets of the Litigation Trust or to require an accounting; or (2) any voting rights with respect to the administration of the Litigation Trust and the actions of the Litigation Trustee in connection therewith.

(c) Maintenance of Register.

The Litigation Trustee shall at all times maintain a register (the "Trust Register") of the names, addresses and number of Litigation Trust Interests of the Litigation Trust Beneficiaries.

(d) Evidence of Litigation Trust Interests.

Ownership of a Litigation Trust Interest shall not be evidenced by any certificate, security or receipt or in any form or manner, other than by a book entry in the Trust Register.

(e) Non-Transferability of Litigation Trust Interests.

The Litigation Trust Beneficiaries shall have no right to convey, assign, sell or otherwise transfer the Litigation Trust Interests; *provided, however,* that this subsection shall have no effect upon the Asbestos Trust's right to receive the first $50 million paid on account of the Residual Environmental Claims' Litigation Trust Interests.

4.8 Distributions of Litigation Proceeds.

(a) The holders of Unsecured Asbestos Personal Injury Claims and Residual Environmental Claims have agreed that the Litigation Proceeds shall first be distributed to the holders of Class 3, 4 (if the Debtors make the Cash payment election), 6, 7 and 8 Claims until such Claimants receive the Allowed Amount of their Claims plus Post-Petition Interest (from either Available Plan Funds or Litigation Proceeds). The Asbestos Trust shall then receive the next $100 million of the Litigation Proceeds. Thereafter, the Asbestos Trust and the holders of Residual Environmental Claims shall each receive 50% of the remaining Litigation Proceeds. Prior to termination of the Litigation Trust, the Litigation Trustee shall distribute the net distributable assets of the Litigation Trust (meaning the Litigation Proceeds, the Litigation Expense Fund and any additions thereto, less the Litigation Trustee's costs and expenses) to the Litigation Trust Beneficiaries, based on the number of Litigation Trust Interests held by each beneficiary.

(b) The Litigation Trust shall distribute at least annually to the Litigation Trust Beneficiaries (or any other Claimants that may be entitled to receive distributions from the Litigation Trust) all its Cash income and all its net proceeds from the liquidation of the assets of the Litigation Trust, except to the extent provided in the Litigation Trust Agreement and consistent with the classification of the Litigation Trust as a liquidating trust under section 301.7701-4(d) of the Treasury Regulations.

4.9 Termination of the Litigation Trust.

(a) The Litigation Trust shall terminate on the earlier of: (1) thirty (30) days after the distribution of all of the assets of the Litigation Trust in accordance with the terms of this Trust Agreement and the Plan; and (2) the fifth (5th) anniversary of the Effective Date; *provided, however,* that, on or prior to a date not less than three (3) months (or more than six (6) months) prior to such termination, the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Litigation Trust for a finite period if, based on the facts and circumstances, such extension is necessary to facilitate or complete the liquidation of the assets of the Litigation Trust. The Bankruptcy Court may approve multiple extensions of the term of the Litigation Trust; provided that (x) any such extension is so approved on or prior to a date not less than three (3) months (or more than six (6) months) prior to termination of the immediately preceding extended term and (y) the Litigation Trustee receives an opinion of counsel or a favorable ruling from the IRS that any further extension should not adversely affect the status of the Litigation Trust as a grantor trust for federal income tax purposes.

(b) The Litigation Trustee shall not unduly prolong the duration of the Litigation Trust and shall at all times endeavor to resolve, settle or otherwise dispose of all of the Litigation Trust Claims and to effect the distribution of the assets of the Litigation Trust to the holders of the Litigation Trust Interests in accordance with the terms hereof and terminate the Litigation Trust as soon as practicable.

SECTION 5

THE ENVIRONMENTAL CUSTODIAL TRUSTS

5.1 Creation of Environmental Custodial Trusts. Separate Environmental Custodial Trusts shall be created to address Designated Properties as set forth in the Environmental Custodial Trust Agreements attached to the Plan as **Exhibit 5** and incorporated herein. On the Effective Date, the Debtors shall transfer the Environmental Custodial Trust Assets to the Environmental Custodial Trusts, in accordance with the Environmental Custodial Trust Agreements.

5.2 Appointment of Environmental Custodial Trustees.

(a) An Environmental Custodial Trustee for each Environmental Custodial Trust shall be named in the Confirmation Order. Upon approval by the Bankruptcy Court in the Confirmation Order, each such Person shall become an Environmental Custodial Trustee on the Effective Date.

(b) Each Environmental Custodial Trustee shall have and perform all of the duties, responsibilities, rights and obligations set forth in the relevant Environmental Custodial Trust Agreement.

5.3 Transfer of Designated Properties to the Environmental Custodial Trusts.

On the Effective Date, all of the Debtors' rights, title and interests in the Designated Properties shall be transferred to the respective Environmental Custodial Trusts, free and clear of all Claims against the Estate other than any liability to Governmental Units as provided in the Environmental Custodial Trust Agreements, but subject to any *in rem* Claims other than Liens for the payment of monetary Claims such as property taxes or other monetary Claims asserted or that could have been asserted in the Reorganization Cases. The Environmental Custodial Trusts shall each take title to the Designated Properties pursuant to the applicable Custodial Trust Agreement. ASARCO and the Reorganized Debtors shall have no responsibility or involvement with respect to the Environmental Custodial Trusts once they are established and funded in accordance with the Plan.

The Globe, Colorado property is subject to a pending sales contract. If this property has not been sold prior to the Effective Date, this property and ASARCO's obligations as seller under the sales contract shall be transferred to the Environmental Custodial Trust. Any proceeds from the sale of the Globe property shall be paid to the Debtors or Reorganized ASARCO and distributed in accordance with the Plan, but the Environmental Custodial Trust Funding set aside for this property shall be reallocated to other Environmental Custodial Trusts as directed by the United States.

Any property placed into an Environmental Custodial Trust may be sold or transferred with the approval of the United States and the State in which the property is located, and the proceeds shall be retained by the trust to be used as provided in the applicable Environmental Custodial Trust Agreement: (a) for costs of administration of the applicable Environmental Custodial Trust, (b) to conduct any remaining remediation and restoration relating to such property or (c) to reimburse any Entity performing such remediation or restoration and (d) thereafter as provided in Article 7.10 of the Plan.

5.4 Purpose of the Environmental Custodial Trusts.

The purpose and objective of each of the Environmental Custodial Trusts shall be as set forth in the applicable Environmental Custodial Trust Agreement, but shall include: (a) owning the Designated Properties in the trust's particular state or region; (b) conducting remediation and restoration or funding remediation and restoration of or related to those Designated Properties; (c) implementing the terms of any settlement agreements with the Environmental Agencies; and (d) with approval of the United States and the state in which the property is located, selling, transferring or otherwise disposing of the Designated Properties.

5.5 The Environmental Custodial Trusts.

(a) On the Effective Date, the Environmental Custodial Trusts shall be established and become effective. All Entities (including the Debtors and the Environmental Custodial Trustees) shall execute any document or other instruments as necessary to cause title to the Designated Properties to be transferred to the appropriate Environmental Custodial Trusts.

(b) The Environmental Custodial Trustees shall have full authority to take any steps necessary to administer the Designated Properties in such trustee's particular state or region.

5.6 Environmental Custodial Trust Funding.

On the Effective Date, the Environmental Custodial Trusts shall be funded by the Debtors' deposit of the Environmental Custodial Trust Funding and the Environmental Custodial Administration Funding in the Environmental Custodial Trust Accounts established by the Environmental Custodial Trusts pursuant to the terms of the Environmental Custodial Trust Agreements.

5.7 Environmental Custodial Trust Settlement Agreements.

The Environmental Custodial Trust Settlement Agreements relating to the Designated Properties are attached to the Plan as **Exhibit 5-A** to **Exhibit 5-** and are subject to a public comment period under applicable Environmental Laws. **[If the Debtors reach additional settlement agreement(s) with EPA and/or other applicable Environmental Agencies with respect to treatment under the Plan of the Designated Properties or any part thereof,**

the Debtors shall file such settlement agreement(s) with the Bankruptcy Court and seek approval thereof at the Confirmation Hearing.]

[The Environmental Custodial Trust Settlement Agreements shall have covenants not to sue, similar to other settlements in the Reorganization Cases. The covenants not to sue shall include, but not be limited to, the liabilities and other obligations asserted in any Proofs of Claim and other pleadings filed in the Bankruptcy Court by the United States or the States relating to the applicable Designated Properties. The Environmental Custodial Trust Settlement Agreements shall be submitted for public comments under federal Environmental Law and, where applicable, state Environmental Law of the particular state in which the applicable Designated Property is located. The Environmental Custodial Trust Settlement Agreements shall determine how the Environmental Custodial Trusts shall be operated by the Environmental Custodial Trustees, and the role of the United States and the relevant State in approving funding of remediation and restoration for the duration of the trusts.]

5.8 Not an Owner or Operator.

Neither Reorganized ASARCO, the United States, the States, nor the Plan Sponsor shall be or be deemed to be an owner, operator, trustee, partner, agent, shareholder, officer or director of the Environmental Custodial Trust, or an owner or operator of the Designated Properties.

5.9 Tax Treatment of the Environmental Custodial Trusts.

The Environmental Custodial Trusts will each seek to be treated as a "qualified settlement fund" as that term is defined in Treasury Regulation section 1.468B-1. The Environmental Custodial Trustee shall not elect to have such funds treated as grantor trusts. The Environmental Custodial Trusts will be treated as separate taxable entities. The Environmental Custodial Trustees shall cause all taxes imposed on the earnings of their respective Environmental Custodial Trusts to be paid out of such earnings and shall comply with all tax reporting and withholding requirements imposed on the Environmental Custodial Trusts under applicable tax laws.

5.10 Termination of the Environmental Custodial Trusts.

Upon an Environmental Custodial Trust's completion of remediation and restoration and reimbursement of any costs therefore, any funds held by that trust shall be transferred as provided in the applicable Environmental Custodial Trust Agreement: (a) first, in accordance with instructions provided by the United States and the appropriate State, to any other Environmental Custodial Trusts in that State with remaining remediation and restoration to be performed related to the sites and a need for additional trust funding; (b) second, in accordance with instructions provided by the United States after consultation with the States, to other open and operating Environmental Custodial Trusts in other States with remaining remediation and restoration to be performed related to the sites and a need for additional trust funding; and (c) third, then to the Superfund.

5.11 Termination of the Environmental Custodial Trustees.

The duties, responsibilities, rights and obligations of the Environmental Custodial Trustees shall terminate in accordance with the terms of the Environmental Custodial Trust Agreements.

SECTION 6
THE ASBESTOS TRUST

6.1 Establishment and Purpose of the Asbestos Trust.

On the Effective Date or such earlier date that the Debtors deem appropriate, the Debtors will establish the Asbestos Trust in accordance with the Plan Documents. On the Effective Date the Asbestos Trust will be empowered in accordance with the Plan and the Plan Documents. Among other things, the Asbestos Trust will assume the liabilities arising from or relating to Unsecured Asbestos Personal Injury Claims and Demands. To do this, the Asbestos Trust will use the Asbestos Trust Assets and income to pay holders of Unsecured Asbestos Personal Injury Claims and Demands in accordance with the Asbestos Trust Agreement and in such a way that all holders of similar Unsecured Asbestos Personal Injury Claims and Demands are treated in a substantially equivalent manner.

The Asbestos Trust will be a "qualified settlement fund" within the meaning of the Treasury Regulations section 1.468B-1 and will have responsibility, among other things, to (a) liquidate, resolve, pay and satisfy all Unsecured Asbestos Personal Injury Claims and Demands in accordance with the Plan, the Asbestos Trust Agreement, the Asbestos TDP, and the Confirmation Order; (b) receive, preserve, hold, manage and maximize the Asbestos Trust Assets for use in paying and satisfying Unsecured Asbestos Personal Injury Claims and Demands in accordance with the terms of the Asbestos Trust Agreement; and (c) take other actions deemed by the Asbestos Trustees to be in the best interests of the holders of the Unsecured Asbestos Personal Injury Claims and Demands, who are the sole beneficiaries of the Asbestos Trust. The Asbestos Trust shall provide for the allowance and payment or disallowance of Unsecured Asbestos Personal Injury Claims and Demands pursuant to the terms of the Asbestos TDP and the Plan Documents.

A copy of the Asbestos Trust Agreement, in substantially the form that will be executed, is attached as ***Exhibit 6*** *to the Plan.*

6.2 The Asbestos Trustees.

The three (3) proposed initial Asbestos Trustees will be those persons listed on **Exhibit L** to this Disclosure Statement. The names of the proposed Asbestos Trustees will be submitted to the Bankruptcy Court for approval as part of the Confirmation Hearing. Biographical information about the initial Asbestos Trustees also can be found in **Exhibit L** to this Disclosure Statement. One of the initial Asbestos Trustees, by vote of all three (3) Asbestos Trustees, will serve as the managing trustee.

In the event that any of the initial Asbestos Trustees resigns, dies, or is removed from office, all successor Asbestos Trustees will be appointed in accordance with the terms of the Asbestos Trust Agreement. In performing their duties and fulfilling their obligations under the Asbestos Trust Agreement and the Plan, each Asbestos Trustee will be a "party in interest" within the meaning of section 1109(b) of the Bankruptcy Code. Each of the Asbestos Trustees will receive compensation from the Asbestos Trust for his or her services at rates comparable to those provided in other similarly situated trusts. Additionally, the managing trustee will be compensated as established by the other Asbestos Trustees, the Asbestos TAC, and the FCR. The Asbestos Trustees also will be reimbursed for all reasonable out-of-pocket costs and expenses.

The Asbestos Trustees may, with the consent of the Asbestos TAC and the FCR, merge any asbestos claim resolution organization formed by the Asbestos Trust with another asbestos claims resolution organization, or contract with, or join, such other asbestos claim resolution entity not specifically created by the Asbestos Trust Agreement or the Asbestos TDP; *provided, however*, that such merger, contract, or joinder does not (a) subject the Reorganized Debtors or any successor or successor-in-interest to having any Unsecured Asbestos Personal Injury Claim or Demand asserted against them, or (b) otherwise jeopardize the validity or enforceability of the Injunctions.

6.3 The FCR.

Under the Plan, and subject to the Bankruptcy Court's approval as part of the Confirmation Hearing, it is proposed that Judge Robert C. Pate shall serve as the FCR, as such term is defined in section VI of the Asbestos Trust Agreement, or and after the Effective Date. As the FCR, he shall have and exercise the functions, rights, duties, powers and privileges provided in the Asbestos Trust Documents. The Asbestos Trust shall pay Judge Pate his customary hourly rate, currently set at $350 per hour, for services as FCR.

6.4 Asbestos TAC.

In performing their duties, the Asbestos Trustees shall be required to consult with, and in certain instances seek the consent of, the Asbestos TAC, a five-member oversight committee created under the Asbestos Trust Agreement. The members of the Asbestos TAC shall be paid by the Asbestos Trust for their services as Asbestos TAC members at a reasonable hourly rate to be set by the Asbestos Trustees, but such hourly rates may not materially differ from rates paid to trust advisory committees for comparable trusts. The members of the Asbestos TAC also shall be reimbursed for all reasonable out-of-pocket costs and expenses. Such reimbursement or direct payment will be deemed an Asbestos Trust Expense.

The initial five members of the Asbestos TAC shall be selected from among the members of the Asbestos Subsidiary Committee and other law firms representing holders of Unsecured Asbestos Personal Injury Claims and Demands. The Debtors shall file with the Bankruptcy Court no later than fifteen days prior to the Confirmation Hearing the names and biographical information of the five nominated candidates, and such nominations will be subject to the approval of the

Bankruptcy Court at the Confirmation Hearing. In the event that any of the initial members resigns, all successor members shall be appointed in accordance with the Asbestos Trust Administration Agreement.

6.5 Transfers and Assignments to the Asbestos Trustees.

On the Effective Date, the Debtors shall transfer and assign to the Asbestos Trust for the benefit of the Asbestos Trust Beneficiaries (a) all Asbestos Trust Assets, except as otherwise provided in the Plan; (b) all of their rights, title, and interests in the Asbestos Personal Injury Claims and Demands and other recoveries, including but not limited to any extracontractual claims for bad faith, late payments, reimbursement of Asbestos Trust Expenses or otherwise; (c) all of the Debtors' rights, title and interest in the Debtors' Privileges associated with the Asbestos Personal Injury Claims and Demands and other recoveries; (d) all of the Debtors; rights, title and interest in the Asbestos Insurance Policies, including but not limited to the right to pursue and receive any and all insurance proceeds for Asbestos Personal Injury Claims and Demands from the Asbestos Insurance Policies; and (e) all of their rights, title, and interests in the Asbestos Insurance Actions and Asbestos Insurance Recoveries.

6.6 Asbestos Books.

Subject to the conditions set forth herein, the Asbestos Trust, through its duly authorized representatives, shall have the right, upon reasonable prior written notice to Reorganized ASARCO; (a) to have Reorganized ASARCO transfer into the Asbestos Trust's possession all or part of the Asbestos Books in their current condition upon request of the Asbestos Trust and on the condition that the Asbestos Trust will incur all costs and expenses of the transfer or (b) to inspect and, at the sole expense of the Asbestos Trust, make copies of the Asbestos Books on any business day and as often as may reasonably be desired; provided that, if so requested, the Asbestos Trust shall have entered into a confidentiality agreement satisfactory in form and substance to Reorganized ASARCO. All costs and expenses associated with the storage of and access to the Asbestos Books shall be the responsibility of, and paid by, the Plan Administrator. Reorganized ASARCO, the Plan Administrator and the Plan Sponsor shall cooperate with the Asbestos Trust in transferring or providing access to the Asbestos Books in their current condition, and shall also provide reasonable access to necessary or appropriate personnel and the Asbestos Books as contemplated herein. Subject to the conditions set forth herein, the Asbestos Trust, through its duly authorized representatives, shall also have the right, upon reasonable prior written notice, to conduct reasonable interviews of employees and other representatives of Reorganized ASARCO concerning matters reasonably related to the Asbestos Books. Reorganized ASARCO shall provide the Asbestos Trust with advance notice of any proposed disposition of any of the Asbestos Books and a reasonable opportunity to segregate and remove such Asbestos Books as the Asbestos Trust may select. If the Asbestos Trust obtains from Reorganized ASARCO or its representatives any documents or communications (whether written or oral) to which any attorney-client, work-product privilege or other privilege or immunity attaches, the Asbestos Trust shall be deemed an agent of the privilege holder for purposes of preserving the privilege, shall be required to take all reasonable steps to maintain any such privilege, and may not waive any such privilege without the consent of Reorganized ASARCO. Production of materials to the Asbestos Trust does not constitute a waiver or an impairment of any privilege held by Reorganized ASARCO, Reorganized Covington or any of the Debtors. In the event that any third party challenges any such privilege, Reorganized ASARCO may seek protection from a court of competent jurisdiction. References in this Section 6.6 to Reorganized ASARCO shall also include its successors in interest.

6.7 Control of the Asbestos Insurance Actions and Asbestos Insurance Recoveries.

The right to control the Asbestos Insurance Actions and all Asbestos Insurance Recoveries, including negotiations relating thereto, and settlements thereof shall be vested in the Asbestos Trust on and after the Effective Date. Notwithstanding the foregoing, Reorganized ASARCO, the Plan Administrator, and the Plan Sponsor shall cooperate with the Asbestos Trustees in pursuing the Asbestos Insurance Actions through such means, and shall provide reasonable access to personnel and books and records of Reorganized ASARCO and the Plan Sponsor relating to the Asbestos Insurance Actions to representatives of the Asbestos Trust to enable the Asbestos Trustees to perform the Asbestos Trustees' tasks under the Asbestos Trust Agreement and the Plan, as is discussed above in Article 6.6 in regards to Reorganized ASARCO.

6.8 Assumption of Liabilities.

Pursuant to Article 8.5 of the Plan, on the Effective Date, the Asbestos Trust shall expressly assume all liabilities arising from, or relating to, all Unsecured Asbestos Personal Injury Claims and Demands.

6.9 Cooperation with Respect to Insurance Matters.

Reorganized ASARCO and the Plan Sponsor shall cooperate with the Asbestos Trust and use commercially reasonable efforts to take or cause to be taken all appropriate actions and to do or cause to be done all things necessary or appropriate to effectuate all transfers and assignments identified in the Plan to the Asbestos Trust. By way of enumeration and not of limitation, Reorganized ASARCO and the Debtors each shall be obligated (a) to provide the Asbestos Trust with copies of insurance policies and settlement agreements included within or relating to the Unsecured Asbestos Personal Injury Claims and Demands; (b) to provide the Asbestos Trust with information necessary or helpful to the Asbestos Trust in connection with its efforts to obtain insurance coverage for the Asbestos Personal Injury Claims and Demands as well as other recoveries, including but not limited to recoveries of extracontractual damages; (c) to execute further assignments or allow the Asbestos Trust to pursue claims in its own name (subject to appropriate disclosure of the fact that the Asbestos Trust is doing so and the reasons why it is doing so), including by means of arbitration, alternative dispute resolution proceedings or litigation, to the extent necessary or helpful to the efforts of the Asbestos Trust to obtain insurance coverage for the Unsecured Asbestos Personal Injury Claims and Demands as well as other recoveries, including but not limited to recoveries of extracontractual damages; and (d) to pursue and recover insurance coverage for the Unsecured Asbestos Personal Injury Claims and Demands as well as other recoveries, including but not limited to recoveries of extracontractual damages, in its own name or right to the extent that any or all of the transfers and assignments identified herein are not able to be fully effectuated, with any and all recoveries therefrom to be turned over to the Asbestos Trust. The Asbestos Trust shall be obligated to compensate the Reorganized ASARCO and the Debtors for all costs and expenses reasonably incurred in connection with providing assistance to the Asbestos Trust under Article 8.12 of the Plan, including, without limitation, out-of-pocket costs and expenses, consultant fees and attorneys' fees.

6.10 How Unsecured Asbestos Personal Injury Claims and Demands Will Be Liquidated and Paid Under the Asbestos TDP.

The Asbestos TDP shall control liquidation and payment of all Unsecured Asbestos Personal Injury Claims treated in Class 5 and Demands. The initial Asbestos TDP to be put into effect by the Asbestos Trust on the Effective Date of the Plan is attached as Annex ___ to the Asbestos Trust Agreement.

(a) Liquidation of Unsecured Asbestos Personal Injury Claims and Demands by the Asbestos Trust.

All Unsecured Asbestos Personal Injury Claims and Demands must be liquidated in accordance with the Asbestos TDP before any payment can be made on such Claims and Demands.

(b) Payment of Liquidated Claims by the Asbestos Trust.

The Asbestos TDP also provides procedures for payment of Unsecured Asbestos Personal Injury Claims and Demands.

6.11 Excess Asbestos Trust Assets.

If there are any Asbestos Trust Assets remaining after the payment, in full, of (a) all Allowed Unsecured Asbestos Personal Injury Claims (and the Asbestos Trustees believe that all Demands have ripened into Claims) and (b) all Asbestos Trust Expenses, such excess Asbestos Trust Assets shall be transferred, in accordance with section **[___]** of the Asbestos Trust Agreement, **[to such charitable purposes as the Trustees, in their reasonable discretion, may determine; *provided, however*, that such charitable purposes, if practicable, shall be related to the treatment of, research regarding, or payment of, claims related to asbestos-caused disorders].**

6.12 Asbestos Trust Expenses.

The Asbestos Trust shall pay all Asbestos Trust Expenses (including applicable taxes) from the assets of the Asbestos Trust. Neither the Debtors nor the Reorganized Debtors shall have any obligation to pay or reimburse any Asbestos Trust Expense. However, nothing shall preclude the Asbestos Trustees from seeking reimbursement of such expenses from any Asbestos Insurance Company.

6.13 Tax Matters.

No election will be made to treat the Asbestos Trust as a grantor trust for U.S. federal income tax purposes. Accordingly, the Asbestos Trust will be treated as a taxable entity for federal income tax purposes. The Asbestos Trustees shall cause all taxes imposed on the Asbestos Trust to be paid using assets of the Asbestos Trust and shall comply with all tax reporting and withholding requirements imposed on the Asbestos Trust under applicable tax laws.

SECTION 7
ESTIMATION OF CLAIMS AND VALUATION OF DISTRIBUTABLE ASSETS

7.1 Estimated Claims and Estimated Recoveries by Class.

The Debtors and their professionals have expended considerable time and effort to ensure the accuracy of the estimates set forth below; however, no representation can be made that such information is without inaccuracy. Moreover, the information below is subject to the uncertainties of litigation with respect to many of the Claims and other factors that may not be resolved in the Debtors' favor. Therefore, no assurance can be given that the estimated Claims are exact or that the estimated recoveries will be achieved.

Sources of payments to be made to Claimants pursuant to the Plan include the Debtors' Distributable Cash, which as of _____ __, 2008 totals $_____; and the Available Plan Sales Proceeds which total $_____. Based on these amounts, the Debtors estimate that the number and amount Allowed Claims against them, and the percentages recovered by the holders of such Allowed Claims, shall be as follows:

Class	**Estimated Total Number of Allowed Claims**	**Estimated Total Amount of Allowed Claims**	**Estimated Recovery**
Administrative Claims (excluding postpetition debt incurred in the ordinary course of business)			100%
Priority Tax Claims			100%
Class 1 (Priority Claims)			100%
Class 2 (Secured Claims)			100%
Class 3 (Trade and General Unsecured Claims)			[__]% to 100%
Class 4 (Bondholders' Claims)			100%
Class 5 (Unsecured Asbestos Personal Injury Claims)			[__]% to 100%
Class 6 (Toxic Tort Claims)			[__]% to 100%
Class 7 (Previously Settled Environmental Claims)			[__]% to 100%
Class 8 (Miscellaneous Federal and State Environmental Claims)			[__]% to 100%
Class 9 (Residual Environmental Claims)			[__]% to 100%
Class 10 (Late-Filed Claims)			0% to 100%
Class 11 (Subordinated Claims)			0% to 100%

7.2 The Trusts' Estimated Administrative Costs.

Estimates of the cost of administering each of the Trusts after the Effective Date are set forth in **Exhibit F** to this Disclosure Statement. These costs shall be borne by the respective Trust. *See, e.g.*, Article 6.14.

Upon the Debtors' funding of the Trusts on the Effective Date, neither the Debtors, their Estates, the Plan Sponsor, nor the other ASARCO Protected Parties (with the exception of the Trusts) shall have any further liability for such Trust's administrative costs.

The estimated fees, expenses and other costs of the Plan Administrator to administer, resolve and make distributions to Claimants is also set forth in **Exhibit F**. These costs shall be paid out of the Plan Administration Reserve.

SECTION 8
RISKS OF THE PLAN

8.1 General.

The following provides a summary of various risks associated with the Plan. However, it is not exhaustive and should be supplemented by careful analysis and evaluation of the Plan and this Disclosure Statement as a whole by each holder of a Claim or an Interest with that holder's own advisors.

8.2 Confirmation Risks.

In order for a plan to be confirmed, the Bankruptcy Code generally requires that impaired Classes vote to accept the Plan. This requires that voting creditors in each Class approve the Plan by:

- over one-half in number of creditors (50% + 1); and
- at least two-thirds in dollar amount.

In addition, to obtain a section 524(g) injunction relating to Unsecured Asbestos Personal Injury Claims and Demands, at least seventy-five percent (75%) of those Claimants in Class 5 who vote must vote to accept the Plan.

There is no guarantee that these thresholds will be reached or that the Bankruptcy Court will concur with the vote tally.

Any objection to the Plan also could prevent Confirmation of the Plan or delay such Confirmation for a significant period of time.

Although the Debtors believe that the Plan will satisfy all requirements necessary for Confirmation, there is no assurance that the Bankruptcy Court and the District Court will reach the same conclusion or that the Confirmation, if challenged on appeal, will be affirmed.

Moreover, Article 10.1 of the Plan sets forth a number of conditions precedent to the effectiveness of the Plan. There can be no assurance that these conditions will be satisfied.

8.3 Risk Factors Related to Estimates and Assumptions.

As with any plan of reorganization or other financial transaction, there are certain risk factors that must be considered. All risk factors cannot be anticipated, some events will develop in ways that were not foreseen, and many or all of the assumptions that have been used in connection with this Disclosure Statement and the Plan will not be realized exactly as assumed. Some or all of such variations may be material. While efforts have been made to be reasonable in this regard, there can be no assurance that subsequent events will bear out the analyses set forth in this Disclosure Statement. Holders of Claims and Interests should be aware of some of the principal risks associated with the contemplated reorganization:

- There is a risk that one or more of the required conditions or obligations under the Plan will not occur, be satisfied or waived, as the case may be, resulting in the inability to confirm the Plan.
- The total amount of Allowed Claims may ultimately be materially in excess of the estimated amounts of such Claims assumed in the development of the Plan and in the valuation estimates provided above. The actual amount of all Allowed Claims in any Class may differ significantly from the estimates provided in this Disclosure Statement. Accordingly, the amount and timing of the distributions that will ultimately be received by any particular holder of an Allowed Claim in a particular Class may be materially and adversely affected should the estimates be exceeded as to any Class.

8.4 Risks Relating to the Sale Process.

The Debtors currently expect that the sale of the Sold Assets will culminate in a sale to the Plan Sponsor or an alternative purchaser with a higher or better offer. The Debtors will incur considerable costs and expenses in connection with the sale process and may ultimately be obligated to pay the Break-Up Fee. There are many factors outside of the Debtors' control that will affect the Debtors' ability to consummate a sales transaction, including the ability of the Plan Sponsor or alternative purchaser to finance the transaction. Moreover, it is possible that the Debtors may not be able to meet various closing conditions and, as a result, the Plan Sponsor or an alternative purchaser may elect to cancel the asset purchase agreement as a result of these failures.

The Debtors can provide no assurance that they will be successful in consummating a sale of the Sold Assets. If the Debtors are unable to successfully complete such a sale, it could have a material adverse effect on the business, financial condition and results of operations of the Debtors and the value of the Debtors' Estates. Additionally, the Debtors may be obligated to pay a Break-Up Fee regardless of whether a sale transaction is consummated and such expenses could be significant.

8.5 Risk that a Plan of Reorganization Proposed by the Parent and AMC may be Confirmed Instead of the Debtors' Proposed Plan.

The Bankruptcy Court has modified exclusivity to permit the Parent and AMC to file their own plan of reorganization (the "Parent Plan"). If a Parent Plan is filed that complies with all of the requirements of the Bankruptcy Code, the Bankruptcy Court may confirm the Parent Plan instead of the Debtors' Plan. Because a Parent Plan has not yet been filed, the Debtors are not in a position to assess the likelihood of this outcome. The Debtors are aware that the Parent and AMC have not reached a collective bargaining agreement with the USW and other unions, thereby creating a risk that a Parent Plan will not meet the applicable requirements of the special successorship clause of the Debtors' CBA as currently in place. *See* Section 2.16(b) above for a discussion of the CBA's special successorship clause.

8.6 The Litigation Trust May Not Realize Any Recovery.

Although certain assets will be transferred to the Litigation Trust, including the Litigation Trust Claims, there is no guarantee that the Litigation Trust will realize any recovery on the Litigation Trust Claims. The Litigation Trust Claims are contingent and unliquidated, and the prosecution of the Litigation Trust Claims may be vigorously defended.

8.7 Distributions to Holders of Unsecured Asbestos Personal Injury Claims and Demands.

The Asbestos Trust Documents require the Asbestos Trustees to adopt a payment percentage that will ensure that the Asbestos Trust is able to treat all holders of Unsecured Asbestos Personal Injury Claims and Demands in an equitable manner. Accordingly, the payment that will be made to holders of unliquidated Unsecured Asbestos Personal Injury Claims and Demands will equal the liquidated value for each claim multiplied by the then-applicable payment percentage. Estimation of the payment percentage likely to be used in the early years of the operation of the Asbestos Trust for qualified present Unsecured Asbestos Personal Injury Claimants involves data analysis or forecasting of (a) the number of compensable Unsecured Asbestos Personal Injury Claims, (b) the total value of Asbestos Trust Assets available to pay holders of Unsecured Asbestos Personal Injury Claims and Demands, and (c) the probable average values of payments under the Plan.

The amount of the Unsecured Asbestos Personal Injury Claims and Demands may be significantly higher than their estimated amount at Confirmation once they are liquidated pursuant to the Asbestos TDP.

Similarly, the value attributed to the Asbestos Trust Assets could be too high. Likewise, the amount of anticipated Asbestos Trust Expenses could be underestimated. *See* **Exhibit F** of this Disclosure Statement. Further, while the Asbestos Trustees can be expected to use efficient and cost-effective procedures for claims resolution, it is difficult to predict how successful their efforts will be, particularly since the Asbestos Trust is expected to continue to operate for many years into the future.

8.8 Appointment of Different Asbestos Trustees.

The Debtors will request that the Bankruptcy Court appoint as Asbestos Trustees those persons listed on **Exhibit K**. However, the Bankruptcy Court may decline the Debtors' request and appoint one or more different Asbestos Trustees. If different Asbestos Trustees are appointed, it could materially impact the administration of the Asbestos Trust.

SECTION 9
ALTERNATIVES TO THE PLAN

If the Plan is not confirmed and consummated, alternatives to the Plan include an alternative plan of reorganization or liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

9.1 Alternative Plan of Reorganization.

If the Plan is not confirmed, the Debtors could attempt to formulate a different plan of reorganization. The Debtors and their advisors have explored various alternative scenarios and believe that the Plan enables the holders of Claims to realize the maximum recovery under the circumstances. The Debtors believe that the Plan is the best plan of reorganization that can be proposed and that it serves the best interests of the Debtors and other parties in interest.

9.2 Parent Plan.

The Bankruptcy Court could confirm the Parent Plan. **[to come]**

9.3 Liquidation under Chapter 7.

If the Plan cannot be confirmed, the Debtors' Reorganization Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee or trustees would be appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code.

The Liquidation Analysis prepared by the Debtors is attached to this Disclosure Statement as **Exhibit E**. As indicated in the assumptions listed in the Liquidation Analysis, the analysis assumes the liquidation of the Debtors through orderly sales of their primary operating assets as separate going concerns. Because the Permanent Channeling Injunction would not be available in a chapter 7 liquidation, the values realized from the orderly sale of the assets would in all likelihood be reduced as a result of buyers' concerns regarding the risk of asbestos liability in the acquisition of assets. Further, the lack of a Permanent Channeling Injunction may preclude the orderly sale of the assets as separate going concerns, in which case a liquidation of the component assets would be required. The Debtors believe that the value of their operating assets as going concerns exceeds the value of the component assets. If a liquidation of the assets occurred, values realized would be further reduced and Claims against the Estates increased.

The net proceeds resulting from the disposition of the Debtors' assets and available Cash would be available first to pay the costs and expenses of liquidation and to satisfy any additional administrative and priority claims that might arise from the Debtors' liquidation under chapter 7. The Debtors' costs of liquidation under chapter 7 would include fees payable to a chapter 7 trustee and other professionals retained by the trustee including attorneys, financial advisors, and accountants, asset disposition expenses, litigation costs related to the resolution of asbestos and other Claims, other expenses incurred in the chapter 11 cases Allowed in the chapter 7 case, and Claims arising from operations of the Debtors during the chapter 11 case. The remaining proceeds would be allocated to creditors in strict priority pursuant to the Bankruptcy Code and thereafter available to Interest holders.

The Plan is predicated on certain settlements designed to resolve complex and contentious issues between the Debtors and a vast number of parties, including holders of Unsecured Asbestos Personal Injury Claims, Demands and environmental Claims. Without the settlements, a hypothetical chapter 7 trustee would need to address such issues through protracted litigation or negotiated settlements with all of these parties as well as additional future Claimants. This would result in significant delay and a significantly greater chapter 7 administrative expense burden on the Estates, and thereby further reduce net proceeds available for distribution.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors, the Debtors believe that Confirmation of the Plan will provide each holder of an

impaired Claim that has not accepted the Plan with an amount that is not less than such holder would receive pursuant to a liquidation under chapter 7 of the Bankruptcy Code.

The Liquidation Analysis is based upon a number of estimates and assumptions which, while considered reasonable, are inherently beyond the control of the Debtors or any chapter 7 trustee. There can be no assurances that the values reflected in the Liquidation Analysis would be realized if the Debtors were to undergo such liquidation. Instead, actual results could vary materially from those shown in the Liquidation Analysis. In addition, any liquidation necessarily would take place in the future under circumstances that presently cannot be predicted. Accordingly, if the Debtors' Estates were liquidated, the actual liquidation proceeds could be materially lower or higher than the amounts set forth in **Exhibit E**, and no representation or warranty can be made with respect to the actual proceeds that could be received in chapter 7 liquidation proceedings.

SECTION 10
CORPORATE GOVERNANCE, POST-CONFIRMATION MANAGEMENT, EMPLOYMENT-RELATED AGREEMENTS, AND CONTINUATION OF EMPLOYEE BENEFITS PLANS

10.1 Cancellation of Existing Interests.

Pursuant to Article 11.9 of the Plan, unless otherwise agreed to by the Debtors, on the Effective Date, and except to the extent otherwise provided herein, all instruments, certificates, and other documents evidencing the Interests in the Debtors shall be cancelled and the obligations of the Debtors or the Reorganized Debtors in any way related thereto (except any obligations provided for under the Plan) shall be discharged.

10.2 Operations Between the Confirmation Date and the Effective Date.

Except as set forth herein with respect to the appointment of the Plan Administrator, during the period from the Confirmation Date through and until the Effective Date, the Debtors shall continue to operate as debtors-in-possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect.

10.3 Substantive Consolidation of ASARCO and the Subsidiary Debtors (Other than Reorganized Covington).

As part of the Debtors' settlement with the Asbestos Subsidiary Committee, the FCR, and the holders of the Residual Environmental Claims, on the Effective Date, the Estates of ASARCO and the Subsidiary Debtors (other than Covington) shall be substantively consolidated as follows: (a) the Subsidiary Debtors (other than Covington) shall be merged with and into ASARCO, with the surviving entity being ASARCO; (b) all Intercompany Claims by, between and among ASARCO and the Subsidiary Debtors (other than Covington) (except for (1) the Derivative Asbestos Claims, which are resolved pursuant to the Asbestos Settlement Agreement and (2) any Claims and causes of action asserted in the Litigation Trust Claims) shall be forgiven and eliminated; (c) all assets and liabilities of the Subsidiary Debtors (other than Covington) shall be merged or treated as if they were merged with the assets and liabilities of ASARCO; (d) any obligation of ASARCO or one of the Subsidiary Debtors (other than Covington) and all guarantees thereof by ASARCO or one of the Subsidiary Debtors (other than Covington) shall be deemed to be one obligation of ASARCO; and (e) each Proof of Claim filed or to be filed against ASARCO or one of the Subsidiary Debtors (other than Covington) shall be deemed filed only against ASARCO and shall be deemed a single Claim against and a single obligation of ASARCO. On the Effective Date, and in accordance with the terms of the Plan and the consolidation of the assets and liabilities of ASARCO and the Subsidiary Debtors (other than Covington), all Claims based upon guarantees of collection, payment or performance made by ASARCO or the Subsidiary Debtors (other than Covington) as to the obligations of ASARCO or one of the Subsidiary Debtors (other than Covington) shall be released and of no further force and effect.

10.4 Closing of Bankruptcy Cases of Subsidiary Debtors (Other than Covington's Bankruptcy Case).

On the Effective Date or as soon thereafter as practicable, the Reorganization Cases of the Subsidiary Debtors (other than Covington) shall be closed, following which any and all proceedings that could have been brought or otherwise commenced in the Reorganization Case of any of the Subsidiary Debtors (other than Covington) shall be brought or otherwise commenced in ASARCO's bankruptcy case. The bankruptcy cases of ASARCO and Covington shall continue to be jointly administered after the Effective Date.

10.5 Interests in Reorganized ASARCO.

The interests in Reorganized ASARCO shall represent all of the equity interests in Reorganized ASARCO as of the Effective Date. They shall be held by the Plan Administrator.

10.6 Interests in Reorganized Covington.

The interests in Reorganized Covington shall represent all of the equity interests in Reorganized Covington as of the Effective Date. The Asbestos Trust shall own 100% of the interests in Reorganized Covington. ASARCO shall transfer the Madera Property to Reorganized Covington.

10.7 Limited Liability Company Agreement, Certificate of Incorporation and Bylaws.

The limited liability company agreements or certificates of incorporation and bylaws, as appropriate, of each of the Reorganized Debtors shall be deemed amended, as of the Effective Date, to prohibit the issuance of nonvoting equity securities. The form of the these documents is attached to the Plan as **Exhibit 13**.

10.8 Management of the Reorganized Debtors.

On the Effective Date, (a) the current directors and officers of ASARCO and the Subsidiary Debtors shall be deemed to have been removed (without the necessity of further action) and shall have no further obligations, and (b) to the fullest extent permitted by applicable law, the rights, powers and duties of such directors shall vest in the Plan Administrator, and the Plan Administrator or its designee shall be the presiding officer and the sole director of Reorganized ASARCO. As provided in the Plan Administration Agreement, the Plan Administrator shall make all determinations with respect to employment of any other directors, officers and employees of Reorganized ASARCO on and after the Effective Date. The compensation for the Plan Administrator for service as officer and director of the Reorganized Debtors shall be as set forth in **Exhibit P** hereto. The biographical data on the proposed Plan Administrator is attached hereto as **Exhibit J**.

10.9 Reorganized Debtors' Name Changes.

On the Effective Date, Reorganized ASARCO shall change its name to ASARCO Administration Company, LLC, and Reorganized Covington shall change its name to _____.

10.10 Continued Corporate Existence and Business Operations of the Reorganized Debtors.

Except as otherwise provided in Article XI of the Plan, the Reorganized Debtors shall continue their existences as separate entities after the Effective Date for the purposes of satisfying their obligations under the Plan, in accordance with applicable law and pursuant to their applicable organizational documents. The Plan Administrator shall, in accordance with the Plan Administration Agreement, operate the businesses of the Reorganized Debtors. On or after the Effective Date, the Plan Administrator may take such action as permitted by applicable law and each of the Reorganized Debtors' organization documents, as the Plan Administrator may determine is reasonable and appropriate, including to cause (a) each of the Reorganized Debtors' legal name to be changed; (b) the closure of the Reorganized Debtors' bankruptcy cases; or (c) the Reorganized Debtors to be engaged in such businesses or activities as are appropriate to their respective corporate purposes.

10.11 Director and Executive Compensation.

A schedule of the annual compensation to be paid to persons serving as executives, officers and directors of the Reorganized Debtors as of the Effective Date will be set forth on **Exhibit P** to the Disclosure Statement, which exhibit will be filed with the Bankruptcy Court no later than 10 days before the Voting Deadline.

SECTION 11
CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, holders of Claims are hereby notified that: (a) any discussion of United States federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by holders of Claims, for the purpose of avoiding penalties that may be imposed on such holders of Claims under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) holders of Claims should seek advice based on their particular circumstances from an independent tax advisor.

11.1 General

Set forth below is a summary of certain federal income tax consequences of the consummation of the Plan as provided below. The summary is based on the Internal Revenue Code, final, temporary and proposed Treasury Regulations promulgated thereunder, administrative pronouncements or practices, and judicial decisions, all as of the date hereof. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in federal income tax consequences significantly different from those discussed herein. This summary is not binding on the IRS or United States courts, and no assurance can be given that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a United States court if so challenged. In addition, the Debtors have not requested, and do not intend to request, a ruling from the IRS regarding any of the federal income tax consequences of the implementation of the Plan.

This summary does not address the federal income tax consequences to certain categories of holders of Claims subject to special rules, including holders of Claims that are (a) banks, financial institutions, or insurance companies, (b) real estate investment trusts, cooperatives, regulated investment companies, mutual funds, or small business investment companies, (c) brokers or dealers in securities, (d) tax-exempt organizations, (e) investors in pass-through entities and such entities themselves, and (f) foreign taxpayers. Furthermore, this summary is limited to United States federal income tax consequences and does not discuss state, local or foreign tax consequences or federal estate or gift tax consequences.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential federal income tax consequences that may apply to holders of Claims as a result of the implementation of the Plan. In addition, this summary does not take into account the individual facts and circumstances of particular holders of Claims that may affect the federal income tax consequences of the implementation of the Plan to such holders. Accordingly, this summary is not intended to be, and should not be construed as, legal or federal income tax advice. Holders of Claims should consult their own tax advisors regarding the federal, state, local, and foreign tax consequences of the Plan.

11.2 Federal Income Tax Classification of Trusts, Disputed Claims Reserve and Disputed Secured Claims Escrow Accounts.

The federal income tax consequences of the Plan to the Debtors and Claimants will depend to a large degree on the federal income tax classification of the Litigation Trust, the Asbestos Trust, the Environmental Custodial Trusts, the Disputed Claims Reserve and the Disputed Claims Escrow Accounts.

(a) Classification of Litigation Trust.

It is intended that the Litigation Trust be treated as a liquidating trust under Treasury Regulations section 301.7701-4(d). IRS Rev. Proc. 94-45 provides conditions under which the IRS will generally issue a ruling that an entity created pursuant to a bankruptcy plan under chapter 11 of the Bankruptcy Code qualifies as a liquidating trust. The Litigation Trust has been structured so as to comply with these conditions to the maximum extent possible. However, the Debtors have not, and do not intend to, seek a ruling from the IRS or an opinion of counsel regarding the status of the Litigation Trust as a liquidating trust. Accordingly, there can be no assurance that the IRS will not take a contrary position. Except as otherwise specified, the remainder of the tax considerations discussion assumes that the Litigation Trust will be treated as a liquidating trust under Treasury Regulations section 301.7701-4(d). Assuming that the Litigation Trust qualifies for such liquidating trust treatment, no entity-level tax will be imposed on any of the income or gain derived by the Litigation Trust but, instead, the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) will be treated as the owners of the Litigation Trust's assets for federal income tax purposes and will be required to include in their computation of taxable income their allocable share of income and gain generated by the Litigation Trust.

(b) Classification of Asbestos Trust and Environmental Custodial Trusts.

The Treasury regulations promulgated under section 468B of the Internal Revenue Code provide that a fund, account, or trust will be a qualified settlement fund if three (3) conditions are met. First, the fund, account, or trust must be established pursuant to an order of, or be approved by, a government authority, including a court, and must be subject to the continuing jurisdiction of that government authority. Second, the fund, account, or trust must be established to resolve or satisfy one or more contested or uncontested claims that have resulted or may result from an event or related series of events that has occurred and that has given rise to at least one claim asserting liability arising out of, among other things, a tort, violation of law, or CERCLA claim. Third, the fund, account, or trust must be a trust under applicable state law or have its assets physically segregated from the other assets of the transferor and persons related to the transferor.

The Asbestos Trust and the Environmental Custodial Trusts have been structured so as comply with the foregoing requirements to the maximum extent possible. However, the Debtors have not, and do not intend to, seek a ruling from the IRS or an opinion of counsel regarding the status of the Asbestos Trust and the Environmental Custodial Trusts as qualified settlement funds. Accordingly, there can be no assurance that the IRS will not take a contrary position. Except as otherwise specified, the remainder of the tax considerations discussion assumes that the Asbestos Trust and the Environmental Custodial Trusts will be treated as qualified settlement funds.

Assuming that the Asbestos Trust and the Environmental Custodial Trusts qualify for qualified settlement fund treatment, the Asbestos Trust and the Environmental Custodial Trusts will be treated as separate taxable entities and will generally be subject to federal income tax on their modified taxable income at the maximum rate applicable to trusts, which is currently thirty-five percent (35%). In determining the modified taxable income of the Asbestos Trust and each Environmental Custodial Trust, (1) amounts transferred by the Debtors to such trust (other than payments in compensation for late or delayed transfers, dividends on stock of a Debtor or related person or interest on the debt of a Debtor or related person) pursuant to the Plan will generally be excluded from the trust's income; (2) any sale, exchange or distribution of property by such trust will generally be treated as a sale and result in the recognition of gain or loss in an amount equal to the difference between the fair market value of the property on the date of such disposition and the adjusted tax basis of the trust in such property; and (3) administrative costs (including state and local taxes) incurred by such trust that would be deductible in determining the taxable income of a corporation will generally be deductible by the trust. The adjusted tax basis of the Asbestos and Environmental Custodial Trusts in property received from the Debtors (or from an insurer on behalf of the Debtors) pursuant to the Plan will generally be the fair market value of such property at the time of such transfer.

(c) Classification of Disputed Claims Reserve and Disputed Secured Claims Escrow Accounts.

The Treasury regulations promulgated under IRC section 468B provide that a fund, escrow account, or trust will be a disputed ownership fund if four (4) conditions are met. First, the fund, escrow account, or trust must be established to hold money or property subject to conflicting claims of ownership. Second, the fund, escrow account, or trust must be subject to the continuing jurisdiction of a court. Third, the fund, escrow account, or trust is required to obtain the approval of the court to pay or distribute money or property to, or on behalf of, a claimant, transferor, or transferor claimant. Finally, the fund, escrow account, or trust must not be a bankruptcy estate (or part thereof) resulting from the commencement of a case under title 11 of the United States Code, a qualified settlement fund, or a liquidating trust (except for certain liquidating trusts established pursuant to a confirmed bankruptcy plan).

It is unclear as to whether the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account qualifies as a disputed ownership fund under the foregoing rules since it is not clear that either of the last two conditions are satisfied. If the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account qualifies as a disputed ownership fund within the meaning of Treasury Regulations section 1.468B-9(b)(1), it would be subject to entity level federal income taxation on its income as if it were a corporation, and such entity level taxes imposed on the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account would be paid out of the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account, respectively. If the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account does not qualify as a disputed ownership fund within the meaning of Treasury Regulations section 1.468B-9(b)(1), then it will not be treated as a separate taxable entity subject to entity level taxation, and the person that is deemed to "own" the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account for U.S. federal income tax purposes would be required to pay federal income taxes on its earnings. The Plan Administrator intends to take the position that the Disputed Claims Reserve and the Disputed Secured Claims Escrow Accounts do not qualify as disputed ownership funds within the meaning of Treasury Regulations section 1.468B-9(b)(1). The Plan Administrator will cause taxes attributable to the earnings of the Disputed Claims Reserve or a Disputed Secured Claims Escrow Account (as well as any taxes directly imposed on the

Disputed Claims Reserve or a Disputed Secured Claims Escrow Account) to be paid out of the assets of the Disputed Claims Reserve or the Disputed Secured Claims Escrow Account, respectively.

11.3 Federal Income Tax Consequences to Debtors.

(a) Cancellation of Indebtedness.

Under the Internal Revenue Code, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("COD Income") realized during the taxable year. Section 108 of the Internal Revenue Code provides that a taxpayer does not realize COD Income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to an income tax deduction. Section 108 of the Internal Revenue Code provides further that COD Income may be excluded from gross income to the extent that the taxpayer is insolvent or is in bankruptcy, but such excluded amount must be applied to reduce certain tax attributes of the taxpayer.

It is expected that the satisfaction of all or substantially all of the Claims in Class 5 and Class 6, and the satisfaction of most of the Claims in Classes 7 through 9, will not result in COD Income to the Debtors because payment of such Claims would have given rise to a deduction for the Debtors. Moreover, the Debtors do not expect (based on current projections) that the satisfaction of the Claims in the other Classes under the Plan will be in an amount that represents, in the aggregate, a significant discount to the amount of Allowed Claims in those Classes. Accordingly, the Debtors do not expect to recognize a significant amount of COD Income from the Plan.

(b) Sale of Sold Assets to Plan Sponsor.

The sale of the Sold Assets to the Plan Sponsor will be a taxable event, resulting in taxable gain to the Debtors in an amount equal to the difference between (1) the amount of cash and the fair market value of any other property received and (2) the adjusted tax basis of the Sold Assets. This taxable gain is expected to be substantial. However, tax deductions generated as a result of the satisfaction of certain of the Claims (as more particularly described below) are expected to offset most of such taxable gain.

(c) Transfers of Assets other than Cash to Trusts.

Assuming that the Litigation Trust qualifies as a liquidating trust, and that the Asbestos Trust and the Environmental Custodial Trusts qualify as qualified settlement funds (as discussed above), the Debtors will be treated as having made a taxable disposition of the assets transferred to the Litigation Trust, the Asbestos Trust and the Environmental Custodial Trusts. As result, the Debtors' will generally recognize gain or loss on the transfer of any such assets other than cash in an amount equal to the difference between (1) the fair market value of the assets transferred and (2) the adjusted tax basis in the transferred assets.

(d) Deductibility of Amounts Transferred in Satisfaction of Asbestos, Toxic Tort, and Certain Environmental Claims.

The Debtors should be entitled to a deduction for all or substantially all of the amount of cash and the fair market value of other assets paid in satisfaction of the Class 5 Claims (Unsecured Asbestos Personal Injury Claims) and Class 6 Claims (Toxic Tort Claims), and for a substantial portion of the amounts paid in satisfaction of the Environmental Claims in Classes 7 through 9, once the usual requirements imposed on accrual basis taxpayers with respect to the satisfaction of liabilities are met. Assuming that the Litigation Trust qualifies as a liquidating trust, and that the Asbestos Trust and the Environmental Custodial Trusts qualify as qualified settlement funds (as discussed above), these requirements should generally be met at the time cash and/or assets are transferred to the Litigation Trust, the Asbestos Trust, and the Environmental Custodial Trusts.

The Debtors will not be allowed a deduction for payments to the Trusts to the extent that such payments represent insurance proceeds received by the Debtors. In such case, payments of amounts representing insurance proceeds should not cause recognition of income to the Debtors. Alternatively, if the Debtors' transfer of amounts representing insurance proceeds were to cause recognition of income by the Debtors, the Debtors should be entitled to a corresponding deduction for the payment of such amounts to the trusts.

Similarly, the Debtors will not be allowed a deduction for payments to the Trusts to the extent the Debtors have a right to reimbursement (with a positive fair market value) with respect to such payments from any third party.

Any deductions for payments made to the Trusts first would reduce or eliminate the Debtors' federal taxable income for the taxable year in which the payments are made. To the extent these deductions created a taxable loss for such year, the loss would constitute a net operating loss.

11.4 Federal Income Tax Consequences to Holders of Claims.

The tax consequences of the Plan to a holder of a Claim will depend, in part, on the type of consideration the holder received in exchange for the Claim, whether the holder reports income on the accrual or cash-basis method, and whether the holder receives distributions under the Plan in more than one taxable year.

In general, a holder of a Claim that receives cash or property in satisfaction of its Claim in a single taxable year will recognize (a) ordinary interest income to the extent such payments are attributable to interest that has accrued but has not been previously taken into income by the holder with respect to the Claim and (b) gain or loss in an amount equal to the difference between (1) the amount of cash and the fair market value of other property received (*e.g.*, Litigation Trust interests) by such holder in satisfaction of such Claim (other than amounts attributable to accrued interest, which is taxed as described above) and (2) the holder's adjusted tax basis in such Claim. This treatment is expected to apply to holders of Claims in Classes 1, 2 (subject to the discussion below on Reinstatement), 3, 4 (subject to the discussion below on Reinstatement), 5 and 6 (subject to the discussion regarding personal injury claims below), 7, 8, 9, 10, 11, and 12. For federal income tax purposes, the transfer of assets to the Litigation Trust will be treated as a deemed transfer to the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust), followed by a deemed transfer by the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) to the Litigation Trust, and all income and gain of the Litigation Trust which is earned after such deemed transfer will be taxed to the Litigation Trust Beneficiaries (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) on a current basis. The fair market value of the portion of the Litigation Trust assets that are so treated as having been transferred to each Litigation Trust Beneficiary (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) shall be determined by Litigation Trustee, and all parties (including the Debtors, Reorganized ASARCO, the Litigation Trustee, the Litigation Trust Beneficiaries and any other Claimants that may be entitled to receive distributions from the Litigation Trust) are required to utilize such fair market value determined by the Litigation Trustee in all U.S. federal income tax returns filed by such parties. A recipient of Litigation Trust Interests (and any other Claimants that may be entitled to receive distributions from the Litigation Trust) will have a tax basis in the Litigation Trust assets which equals such fair market value (increased by any taxable income recognized by such recipient or Claimant with respect to subsequent earnings of the Litigation Trust and decreased by any applicable deductions taken by such recipient or Claimant with respect to the assets of the Litigation Trust), and would recognize additional gain with respect to distributions from the Litigation Trust only if and to the extent that such distributions exceed such tax basis. If the payments ultimately received from the Litigation Trust are less than such tax basis, the holder would recognize a tax loss once final distributions have been received from the Litigation Trust.

Holders of Class 5 Unsecured Asbestos Personal Injury Claims will receive interests in the Asbestos Trust. Such holders shall not be treated as receiving property as a result of their receipt of interests in the Asbestos Trust. Instead, such holders shall be treated as receiving cash or property when they receive distributions from the Asbestos Trust. All distributions to holders of Claims will be subject to any applicable withholding and backup withholding.

Payments under the Plan to Claimants with respect to damages on account of personal physical injuries or physical sickness will not be includable in such Claimants' gross income pursuant to section 104 of the Internal Revenue Code. However, to the extent payments under the Plan to Claimants are attributable to medical expense deductions allowed under section 213 of the Internal Revenue Code for a prior taxable year, such payments will be taxable as ordinary income to the recipient. Payments under the Plan to Claimants representing punitive damages or interest will generally be taxable as ordinary income to the recipient. Payments under the Plan to a Claimant attributable to attorneys' fees of such Claimant may be taxable as ordinary income to the Claimant depending upon the unique circumstances of such Claimant. If taxable, such a Claimant may also be entitled to deduct such payments as an expense (subject to certain limitations). Some portion of the amounts received by holders of Class 5 Unsecured Asbestos Personal Injury Claims and Class 6 Toxic Tort Claims may qualify for the treatment described in this paragraph.

Under the Plan, each holder of an Allowed Class 4 Bondholders' Claim or an Allowed Class 2 Secured Claim, at the option of the Debtors, shall be Reinstated. If a Bondholder is Reinstated, it is likely that such Reinstatement

would constitute a "significant modification" for federal income tax purposes. In such a case, the Bondholder would have taxable gain to the extent that the "issue price" of the Reinstated Bond exceeds the Bondholder's tax basis in the Bond. The issue price would generally equal the Reinstated Bond's face amount (unless the Bonds are traded on an established securities market, in which case the issue price would be the fair market value thereof). If the Bonds are traded on an established securities market, the Reinstated Bonds may have original issue discount in an amount equal to the amount by which the face amount of the Reinstated Bonds exceeds the issue price of such Bonds deemed exchanged therefore. A Bondholder would be required to include, in such Bondholder's taxable income, any such original issue discount on the Reinstated Bonds over the life of the Reinstated Bonds on a constant yield basis. If a holder of a Secured Claim is Reinstated, and such Secured Claim is treated as debt for federal income tax purposes, then similar rules would apply to such Reinstatement.

Where gain or loss is recognized by a holder of Claims under the foregoing rules, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount and whether and to what extent the holder had previously claimed a bad debt deduction.

Holders of Claims are strongly advised to consult their tax advisors with respect to the tax treatment under the Plan of their particular Claim.

11.5 Information Reporting; Backup Withholding Tax.

Payments made pursuant to the Plan will generally be subject to applicable federal income tax information reporting and withholding requirements. The Internal Revenue Code imposes backup withholding tax on certain payments, including payments of interest, if a taxpayer (a) fails to furnish its correct taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect taxpayer identification number, (c) is notified by the IRS that it has previously failed to report properly items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such taxpayer has furnished its correct taxpayer identification number and that the IRS has not notified such taxpayer that it is subject to backup withholding tax. However, taxpayers that are corporations generally are excluded from these information reporting and backup withholding tax rules provided that evidence of such corporate status is furnished to the payor. Backup withholding is not an additional federal income tax. Any amounts withheld under the backup withholding tax rules will be allowed as a credit against a taxpayer's federal income tax liability, if any, or will be refunded to the extent the amounts withheld exceed the taxpayer's actual tax liability, if such taxpayer furnishes required information to the IRS. A taxpayer that does not provide a correct taxpayer identification number may be subject to penalties imposed by the IRS. Each taxpayer should consult its own tax advisor regarding the information reporting and backup withholding tax rules.

11.6 Importance of Obtaining Professional Tax Assistance.

The foregoing discussion is intended only as a summary of certain federal income tax consequences of the Plan, and is not a substitute for careful tax planning with a tax professional. The tax consequences are in many cases uncertain and may vary depending on the individual circumstances of a holder of Claims. Accordingly, holders of Claims are urged to consult with their tax advisors about the federal, state, local, and foreign tax consequences of the Plan.

SECTION 12
FINANCIAL INFORMATION

12.1 General.

An analysis of the Debtors' financial condition appears in the historic unaudited financial information for the fiscal years 2005, 2006, 2007 and 2008 (through June 30, 2008), attached to this Disclosure Statement as **Exhibit D**. This information is provided to permit holders of Claims and Interests to better understand the Debtors' financial condition.

The Debtors are required to file monthly operating reports with the Bankruptcy Court. Such financial information is on file with the clerk of the Bankruptcy Court and publicly available for review on the Bankruptcy Court's public website: *www.ecf.txsb.uscourts.gov*, or at the Debtors' restructuring website: *www.asarcoreorg.com*.

12.2 Funding for Plan Administration Expenses.

In addition to the Available Plan Funds and the Litigation Proceeds attributable to Litigation Trust Interests, the Plan Administrator may satisfy obligations under the Plan to holders of unpaid Claims and Class 12 Interests from the following sources: (a) excess Cash in the Plan Administration Reserve, as determined by the Plan Administrator, after consultation with and approval by the Plan Administration Committee; (b) proceeds recovered from the settlement or litigation of any of the Vested Causes of Action (as listed in **Exhibit 14-A** to the Plan); and (c) proceeds received from the sale of, or income generated by, any Remaining Assets.

The Plan Administration Reserve includes $55.5 million that ASARCO has set aside to cover various contingencies that may arise after the Effective Date, with $17.5 million for the Claim allowance process and associated fees and expenses. Another $38 million is to be used by the Plan Administration and the Litigation Trustee to prosecute litigation.

12.3 Reorganized Debtors' Business Operations.

ASARCO owns approximately 20 acres of real property in Madera Canyon, located in Santa Cruz County, Arizona (the "Madera Property"). The land is valued at $1 million, and was purchased as part of a planned land exchange with the United States Forest Service which was never effectuated. Six cabins, five of which are habitable, are on the property. The Madera Property is leased to Mr. and Mrs. Richard J. Lansky, and generates rental income of $500 per month. Pursuant to the Plan, the Madera Property will be transferred to Reorganized Covington, and ASARCO will assume the lease with the Lanskys and assign it to Reorganized Covington.

SECTION 13
SOURCES OF INFORMATION PROVIDED AND THE ACCOUNTING METHOD USED

13.1 Sources of Information.

The information set forth in this Disclosure Statement and the attached exhibits was provided by the Debtors, the Committees, the FCR, the Plan Sponsor, and their respective advisors. The financial information in **Exhibit D** to this Disclosure Statement was provided by the Debtors.

13.2 Accounting Method.

The Debtors' books and records (a) present fairly in all material respects the consolidated financial position of ASARCO as of the respective dates thereof, and the consolidated results of operations of ASARCO for the periods covered thereby and (b) have been prepared in all material respects in accordance with generally accepted accounting principles applied on a basis consistent with the past practices of ASARCO during the pendency of the Reorganization Cases, in each case, subject to (i) the absence of footnotes thereto, (ii) in the case of interim financial statements, the absence of normal year-end adjustments, and (iii) audit adjustments resulting from the independent accountants' audit, review and finalization of the ASARCO's financial statements for the years ended December 31, 2005, 2006 and 2007.

SECTION 14
REQUIREMENTS FOR CONFIRMATION OF THE PLAN AND VOTING PROCEDURES

14.1 Acceptance or Rejection of the Plan.

Under the Bankruptcy Code, only classes of claims and interests that are impaired under a plan of reorganization can vote to accept or reject that plan. Under section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan unless, with respect to each claim or interest in that class, that plan:

- leaves unaltered the legal, equitable, and contractual rights to which that claim or interest entitles its holder; or

- notwithstanding any contractual provision or applicable law that entitles the holder of that claim or interest to demand or receive accelerated payment of that claim or interest after the occurrence of a default:
    - cures that default, if other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code;
    - reinstates the maturity of that claim or interest as it existed prior to that default;
    - compensates the holder of that claim or interest for any damages incurred as a result of that holder's reasonable reliance on that contractual provision or applicable law; and
- does not otherwise alter the legal, equitable, or contractual rights to which that claim or interest entitles its holder.

Under the Debtors' Plan, Class 1 (and, Classes 2 and 4 if the Debtors elect to Reinstate the Secured Claims and the Bondholders' Claims) are unimpaired; therefore, the holders of Claims in such Classes are conclusively presumed under section 1126(f) of the Bankruptcy Code to have accepted the Plan. The Debtors are not soliciting acceptances from these Classes.

Classes 13 and 14 will not receive or retain any property on account of their Interests; therefore, the holders of Interests in such Classes are conclusively presumed under section 1126(g) of the Bankruptcy Code to have rejected the Plan. The Debtors are not soliciting acceptances from these Classes.

Classes 2 through 12 are impaired under the Plan (assuming that the Debtors elect the "Paid in Full" option in regards to the Class 2 Secured Claims and the Class 4 Bondholders' Claims); therefore, the holders of Claims in such Classes are entitled to vote to accept or reject the Plan.

The Debtors have requested that the Bankruptcy Court adopt a presumption that, if no holder of a Claim or Interest eligible to vote in a particular Class timely votes to accept or reject the Plan, the Plan will be deemed accepted by the holders of such Claims or Interests in such Class. Accordingly, if the holder of a Claim or an Interest does not wish such a presumption with respect to any Class for which it holds Claims or Interests to become effective, such holder should timely submit a ballot accepting or rejecting the Plan for any such Class. Any Class of Claims or Interests that does not have a holder of an Allowed Claim or Interest or a Claim or Interest temporarily allowed by the Bankruptcy Court as of the date of the Confirmation Hearing will be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

14.2 Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code requires the court, after notice, to hold a hearing on confirmation of a proposed plan. The Confirmation Hearing has been scheduled for _____ __, 2008 at __:__ __.m. before the Honorable Richard S. Schmidt, United States Bankruptcy Judge for the Southern District of Texas, in his courtroom located at 1133 N. Shoreline Blvd., Second Floor, Corpus Christi, Texas. **[The Honorable _____, United States District Court Judge for the Southern District of Texas, will sit with Judge Schmidt.]** The Bankruptcy Court **[and the District Court]** may adjourn the Confirmation Hearing from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Unless otherwise directed or permitted by the Bankruptcy Court, any objection to Confirmation of the Plan must (a) be in writing, (b) conform to the Bankruptcy Rules, (c) set forth the name of the objecting party, (d) identify the nature of Claims or Interests held or asserted by the objector against the Debtors' Estates or property, (e) state the basis for the objection and the specific grounds therefore, and (f) be filed with the clerk of the Bankruptcy Court, together with proof of service, and served upon each of the following so as to be received in the offices of each such Persons no later than _____ __, 2008 at 4:00 p.m., prevailing Central Time: (1) Jack L. Kinzie, Baker Botts L.L.P., 2001 Ross Avenue, Dallas, Texas 75201-2980; (2) Tony M. Davis, Baker Botts L.L.P., One Shell Plaza, 910 Louisiana, Houston, Texas 77002-4995; (3) Shelby A. Jordan, Jordan, Hyden, Womble, Culbreth, & Holzer, P.C., Suite 900, Bank of America, 500 North Shoreline,

Corpus Christi, Texas 78471; (4) James C. McCarroll, Reed Smith LLP, 599 Lexington Avenue, 29th Floor, New York, NY 10022; (5) Paul M. Singer, Reed Smith LLP, 435 Sixth Avenue, Pittsburgh, PA 15219; (6) Sander L. Esserman, Stutzman, Bromberg, Esserman & Plifka, 2323 Bryan Street, Suite 2200, Dallas, Texas 75201; (7) John H. Tate, II, Oppenheimer, Blend, Harrison & Tate, Inc., 711 Navarro, Sixth Floor, San Antonio, Texas 78205; (8) David L. Dain and Alan S. Tenenbaum, United States Department of Justice, Environmental Enforcement Section, 601 D Street NW, Washington, DC 20004; and (9) Douglas P. Bartner, Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022.

14.3 Requirements for Confirmation.

(a) Consensual Confirmation Under Section 1129(a) of the Bankruptcy Code.

At the Confirmation Hearing, the Bankruptcy Court will be asked to determine whether the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. These requirements include, among others, judicial findings that:

- the Plan complies with applicable provisions of the Bankruptcy Code;
- the Debtors have complied with the applicable provisions of the Bankruptcy Code;
- the Plan has been proposed in good faith and not by any means forbidden by law;
- any payment made or to be made by the Debtors or by any Person acquiring property under the Plan for services, costs, or expenses in or in connection with the Reorganization Cases, or in connection with the Plan and incident to the Reorganization Cases, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable;
- the Debtors have disclosed the identity and affiliations of any individual proposed to serve as a director or an officer of the Reorganized Debtors after Confirmation of the Plan and that the appointment to, or continuance in, such office by such individual is consistent with the interests of holders of Claims and Interests and with public policy;
- the Debtors have disclosed the identity of any insider that will be employed or retained by the Reorganized Debtors, and the nature of any compensation for such insider;
- the Plan is in the best interests of the holders of Claims and Interests; that is, each holder of a Claim or Interest in an impaired Class either has accepted the Plan or will receive or retain under the Plan on account of such Claim or Interest property with a value, as of the Effective Date, that is not less than the amount that the holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date;
- except to the extent the Plan meets the "Nonconsensual Confirmation" standards discussed below, each Class of Claims or Interests has either accepted the Plan or is not impaired under the Plan;
- except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan provides that Administrative Claims and Priority Claims will be paid in full on the Effective Date and that Priority Tax Claims will be either paid in full on the Effective Date or will receive on account of such Claims deferred cash payments, over a period not exceeding six (6) years after the date of assessment of such Claims, of a value, as of the Effective Date, equal to the Allowed Amount of such Claims;
- at least one impaired and non-insider Class of Claims has accepted the Plan;
- that the Plan is feasible; that is, Confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganized Debtors, unless such liquidation or reorganization is proposed in the Plan;

- all fees payable under section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of all such fees on the Effective Date; and

- the Plan provides for the continuation after the Effective Date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to section 1114(e)(1)(B) or (g) of the Bankruptcy Code, at any time prior to Confirmation of the Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits.

The Debtors believe that the Plan satisfies all applicable requirements of section 1129(a) of the Bankruptcy Code.

Best Interests Test. Under the best interests test, the Plan is confirmable if, with respect to each impaired Class of Claims or Interests, each holder of a Claim or Interest in that Class either:

- has accepted the Plan; or

- will receive or retain under the Plan, on account of such Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount that holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

To determine what the holders in each Class of Claims or Interests would receive if the Debtors were liquidated, the Bankruptcy Court must estimate the dollar amount the Debtors' assets and properties would generate if liquidated by a chapter 7 trustee. The Cash amount that would be available for satisfaction of the Allowed Claims and Interests of the Debtors would consist of the proceeds resulting from the disposition of the assets of the Debtors, augmented by the Cash held by the Debtors at the time of the commencement of the chapter 7 cases. That Cash amount would be reduced by the costs and expenses of the liquidation and by any additional Administrative Claims and Priority Claims that would result from the termination of the Debtors' businesses and the use of chapter 7 proceedings for the purposes of liquidation. The Liquidation Analysis prepared by the Debtors is attached as **Exhibit E** to this Disclosure Statement.

Based upon the analysis set forth in **Exhibit E**, the Debtors firmly believe that the distributions that would be made in a chapter 7 case would be substantially smaller than the distributions contemplated by the Plan. The Debtors therefore believe that the Plan is in the best interests of all holders of Claims and Interests.

(b) Feasibility of the Plan. In order for the Plan to be confirmed, the Bankruptcy Court also must determine that the Plan is feasible – that is, that the need for further reorganization or a subsequent liquidation of the Debtors is not likely to result following Confirmation of the Plan. In determining whether a plan of reorganization is feasible, a court will consider:

- the adequacy of the proposed capital structure of the reorganized entity;

- the earning power of that entity;

- the overall economic conditions in which that entity will operate;

- the capability of its management;

- the continuity of its management; and

- any other factors the court deems relevant to the successful operation of the reorganized entity to perform the provisions of the plan of reorganization.

(c) Acceptance by an Impaired Class.

Because the Plan impairs (adversely affects) Claims in Classes 2 through 12 (assuming that the Debtors make the Cash payment election in regards to the Class 2 Secured Claims and the Class 4 Bondholders' Claims), section 1129(a)(10) of the Bankruptcy Code requires that for the Plan to be confirmed, at least one impaired Class must accept the Plan by the requisite vote. All impaired Class of Claims will have accepted the Plan if and only if at least two-thirds in amount and more than one-half in number of the Allowed Claims in such Class that vote have voted to accept the Plan.

(d) Nonconsensual Confirmation under Section 1129(b) of the Bankruptcy Code.

Although section 1129(a)(8) of the Bankruptcy Code requires that a plan be accepted by each class that is impaired by such plan, section 1129(b) of the Bankruptcy Code provides that the Bankruptcy Court may still confirm the Plan at the request of the Debtors if all requirements of section 1129(a) except section 1129(a)(8) are met and if, with respect to each Class of Claims or Interests that is impaired under the Plan and has not voted to accept the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable." A plan confirmed on the basis of this provision is commonly referred to as a "cramdown" plan. In the event an impaired Class of Claims or Interests does not accept the Plan, the Debtors may seek cramdown confirmation of the Plan with respect to any such non-accepting Class. **The Debtors believe that, with respect to such Classes, the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.**

- Unfair Discrimination. A plan of reorganization does not discriminate unfairly if no class receives more than it is legally entitled to receive for its claims or equity interests. **The Debtors believe that the Plan meets this requirement.**

- Fair and Equitable Test. "Fair and equitable" has different meanings for Secured Claims, Unsecured Claims, and Interests.

With respect to a Secured Claim, "fair and equitable" means that the Plan provides either (1) that the holder of a Secured Claim in an impaired Class retains the Liens securing such Claim, whether the property subject to such Liens is retained by the Debtor or transferred to another Entity, to the extent of the amount of such Allowed Claim, and that the holder of such Claim receives on account of such Claim deferred cash payments totaling at least the amount of such Allowed Claim, of a value, as of the Effective Date, of at least the value of such holder's interest in the Estate's interest in such property; (2) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the Liens securing such Claim, free and clear of such Liens, with such Liens to attach to the proceeds of such sale, and the treatment of such Liens on proceeds under subsections (1) or (2) hereof; or (3) the realization by such holder of the "indubitable equivalent" of such Claim.

With respect to an Unsecured Claim, "fair and equitable" means either the Plan provides that each holder of a Claim of such Class receive or retain on account of such Claim property of a value, as of the Effective Date of the Plan, equal to the amount of such Allowed Claim; or the holder of any Claim or Interest that is junior to the Claims of such Class will not receive or retain any property under the Plan on account of such junior Claim or Interest.

With respect to an Interest, "fair and equitable" means either each holder of an Interest in an impaired Class receives or retains property of a value, as of the Effective Date of the Plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such Interest; or the holder of any Interest that is junior to the Interests of such Class will not receive or retain any property under the Plan on account of such junior Interest.

The Debtors believe that the Plan will meet the fair and equitable test in the event that an impaired Class of Claims does not accept the Plan, and that the Plan meets the fair and equitable test with regard to the Classes of Interests, which are deemed to reject the Plan, and that the Plan does not discriminate unfairly with respect to any Class of Claims and Interests.

(e) Requirements for Injunction Under Section 524(g) of the Bankruptcy Code.

Section 524(g) of the Bankruptcy Code authorizes the court to enjoin Entities from taking action to collect, recover, or receive payment or recovery with respect to any Unsecured Asbestos Personal Injury Claim that is to be paid in

whole or in part by a trust created by a plan of reorganization that satisfies the requirements of the Bankruptcy Code. The injunction also may bar any action based on such Claims or Demands against the Debtors that are directed at third parties.

To obtain the injunction, a trust must be established that:

- assumes the Debtors' asbestos liabilities;
- is funded in whole or in part by securities of one or more of the Debtors and with an obligation by the Debtors to make future payments;
- owns or is entitled to a majority of the voting shares of the Debtors, each Debtor's parent corporation, or subsidiaries that are also Debtors; and
- uses its assets or income to satisfy Claims and Demands.

As a requirement before issuing an injunction under section 524(g) of the Bankruptcy Code, the court must determine that

- the Debtors are likely to be subject to substantial Demands for payments arising out of the same or similar conduct or events that give rise to the Unsecured Asbestos Personal Injury Claims that are addressed by the injunction;
- the actual amounts, numbers and timing of such Demands cannot be determined;
- pursuit of such Demands outside the procedures prescribed by the plan is likely to threaten the Plan's purpose to deal equitably with Claims and Demands; and
- the Asbestos Trust will operate through mechanisms such as structural, periodic, or supplemental payments, pro rata distributions, matrices, or periodic review of estimates of the numbers and values of Claims and Demands, or other comparable mechanisms that provide reasonable assurance that the Asbestos Trust will value, and be in a financial position to pay, Claims and Demands that involve similar Claims in substantially the same manner.
- the court also must ensure that the terms of any proposed section 524(g) injunction are set out in the Plan and Disclosure Statement and that 75 percent of the holders of Unsecured Asbestos Personal Injury Claims who vote on the Plan vote to approve it.

The Injunctions will be valid and enforceable as to Demands made after the Plan is confirmed only if a legal representative is appointed to protect the rights of Persons that might subsequently assert Demands and if the court determines that applying the Injunctions to future claimants in favor of the beneficiaries of the Injunction is fair and equitable with respect to the Persons that might subsequently assert such Demands, in light of the benefits provided, or to be provided, to the trust on behalf of the Debtors or another beneficiary of the Injunctions.

The Confirmation Order must be issued or affirmed by the District Court that has jurisdiction over the Reorganization Cases. After the expiration of the time for appeal of the order, the Injunctions become valid and enforceable.

The Debtors believe that they will be able to satisfy all the requirements of section 524(g), so long as the requisite number of holders of Unsecured Asbestos Personal Injury Claims vote in favor of the Plan.

14.4 Conditions to Effectiveness.

In addition to the requirements for confirmation of the Plan, the terms of the Plan provide that the Plan may not become effective unless, among other things, (a) the Bankruptcy Court has approved the Disclosure Statement, (b) the Confirmation Order has become a Final Order, (c) the Plan Documents necessary or appropriate to implement the Plan have been executed, delivered, and filed where applicable, (d) the Trusts have been funded as provided in Article 10.1(f) of the Plan, (e) the Confirmation Order provides for the sale of the Sold Assets to the Plan Sponsor on the Effective Date, and

(f) the Confirmation Order contains the findings of fact and conclusions of law set forth in Article 10.1(b) of the Plan. *See* Article 10.1 of the Plan for a more complete discussion of the conditions to effectiveness of the Plan.

Upon notice, the Debtors, in their sole discretion, may waive any of the conditions to effectiveness; in Article 10.1 of the Plan by filing a notice of such waiver with the clerk of the Bankruptcy Court and by serving a copy of such notice on the Plan Sponsor, the U.S. Trustee, the Committees, the FCR, and the DOJ; *provided*, *however*, that:

(a) the DOJ and any affected State must consent to any waiver of any of the conditions to effectiveness set forth in Article 10.1(e)(1), (f), (i), (j) and (l) of the Plan;

(b) the Asbestos Subsidiary Committee and the FCR must consent to any waiver of any of the conditions to effectiveness set forth in Article 10.1(e)(1), (f) and (k) of the Plan; and

(c) the Plan Sponsor must consent to any waiver of any of the conditions to effectiveness set forth in Article 10.1(c)(2), (e)(1)(B) and (m) of the Plan;

provided, that in each instance described in clauses (a), (b) and (c) above, such consent is not unreasonably withheld, delayed or conditioned.

14.5 Effect of Confirmation and Effectiveness.

If the Plan is confirmed and becomes effective, the Plan will be binding upon the Debtors, all holders of Claims and Interests, and all other parties in interest, regardless of whether they have accepted or rejected the Plan.

RECOMMENDATION AND CONCLUSION

The Debtors strongly recommend that all holders of impaired Claims in Classes 2 through 12 vote to accept the Plan and return their ballots in the enclosed envelope to the Balloting Agent *so that they will be received*, on or before **4:00 p.m.,** prevailing Central Time, on **_____ __, 2008**.

In the view of the Debtors, the Plan provides the best available alternative for providing equitable and expeditious distributions to holders of Claims out of the Debtors' Estates. Your support of the Plan will enable it to be implemented and help ensure its success.

[REST OF PAGE DELIBERATELY BLANK]

The undersigned have executed this Disclosure Statement as of the 31st day of July, 2008.

Respectfully submitted,

ASARCO LLC, a Delaware limited liability company

By: */s/ Joseph F. Lapinsky*
Joseph F. Lapinsky
Chief Executive Officer and President

ALC, INC., a Tennessee corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President

ALTA MINING AND DEVELOPMENT COMPANY, a Utah corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

AMERICAN SMELTING AND REFINING COMPANY, a New Jersey corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

AR MEXICAN EXPLORATIONS, INC., a Delaware corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

AR SACATON, LLC, a Delaware limited liability company

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

ASARCO CONSULTING, INC., a Delaware corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

ASARCO EXPLORATION COMPANY, INC., a New York corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

ASARCO MASTER, INC., a Delaware corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

ASARCO OIL AND GAS COMPANY, INC., a New York corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

BLACKHAWK MINING AND DEVELOPMENT COMPANY, LIMITED, an Idaho corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

BRIDGEVIEW MANAGEMENT COMPANY, INC., a New Jersey corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

CAPCO PIPE COMPANY, INC., an Alabama corporation

By: */s/ William Perrell*
William Perrell
President and Secretary

CEMENT ASBESTOS PRODUCTS COMPANY, an Alabama corporation

By: */s/ William Perrell*
William Perrell
President and Secretary

COVINGTON LAND COMPANY, a Delaware corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

ENCYCLE, INC., a Delaware corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

GOVERNMENT GULCH MINING COMPANY LIMITED, an Idaho corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

GREEN HILL CLEVELAND MINING COMPANY, a Nevada corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

LAC D'AMIANTE DU QUÉBEC LTÉE, a Delaware corporation

By: */s/ William Perrell*
William Perrell
President and Secretary

LAKE ASBESTOS OF QUEBEC, LTD., a Delaware corporation

By: */s/ William Perrell*
William Perrell
President and Secretary

LAQ CANADA, LTD., a Delaware corporation

By: */s/ William Perrell*
William Perrell
President and Secretary

PERU MINING EXPLORATION AND DEVELOPMENT COMPANY, a Delaware corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

SOUTHERN PERU HOLDINGS, LLC, a Delaware limited liability company

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

TULIPAN COMPANY, INC., a Delaware corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary

WYOMING MINING AND MILLING COMPANY, an Idaho corporation

By: */s/ Douglas E. McAllister*
Douglas E. McAllister
President and Secretary