

ASARCO LLC ("ASARCO"), Wilmington Trust Company ("Wilmington"), as Indenture Trustee of the ASARCO 8.5% Debentures due 2025 (the "2025 Bonds"), Wells Fargo Bank, N.A. ("Wells"), as Indenture Trustee of the ASARCO 7.875% Debentures due 2013 (the "2013 Bonds"), Deutschebank Trust Company Americas ("Deutschebank," and together with Wilmington and Wells, the "Indenture Trustees"), as Indenture Trustee of (i) Lewis and Clark County, Montana Debentures due 2033 (the "Montana 2033 Bonds"), (ii) the Nueces River Authority Debentures due 2027 (the "Nueces 2027 Bonds"), (iii) Lewis and Clark County, Montana Debentures due 2027 (the "Montana 2027 Bonds"), (iv) Industrial Development Authority of the County of Gila, Arizona Debentures due 2027 (the "Gila Bonds"), and (v) Nueces River Authority Debentures due 2018 (the "Nueces 2018 Bonds," and together with the 2025 Bonds, the 2013 Bonds, the Montana 2033 Bonds, the Nueces 2027 Bonds, the Montana 2027 Bonds and the Gila Bonds, the "Bonds"), Harbinger Capital Partners Master Fund I, Ltd. ("Harbinger") and CitiGroup Global Markets ("CitiGroup")(Harbinger and CitiGroup together, the "Majority Bondholders") have agreed to settle certain claims arising in ASARCO's bankruptcy proceeding, Case No. 05-21207 in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division on the terms set forth below. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Disclosure Statement.

1. Holders of the Bonds will receive Allowed Class 3 Claims in an amount equal to the \$439.8 million principal amount of their Bonds, together with all accrued but unpaid prepetition interest of \$7.8 million, for a total of \$447.6 million. These claims will be payable *pari passu* with the Allowed Claims of general unsecured creditors for principal and prepetition interest, if any.

2. Holders of the Bonds will receive Allowed Claims for all accrued postpetition interest at the non-default rate specified in the relevant Bond indentures compounded based on when interest payments were due under the indentures (estimated to be \$162 million as of December 31, 2009). These Allowed Claims will be payable (a) after the Allowed Claims of general unsecured creditors for principal and prepetition interest have been paid in full and (b) *pari passu* with the Allowed Claims of general unsecured creditors for postpetition interest.

3. Holders of the Montana 2033 Bonds, the Nueces 2027 Bonds, the Montana 2027 Bonds, the Nueces 2018 Bonds and the Gila Bonds will receive Allowed Claims in the amount of the prepayment premiums expressly provided under the indentures for such bonds. These Allowed Claims will be payable (a) after the Allowed Claims of general unsecured creditors for postpetition interest have been paid in full and (b) *pari passu* with the make whole claims of the holders of the 2013 Bonds and the 2025 Bonds set forth in the next succeeding paragraph.

4. Holders of the 2013 Bonds shall receive, in settlement of their claims for alleged breach of the no-call feature of those bonds, an Allowed Claim in the amount of \$5 million, calculated as 5% of the principal amount of those 2013 Bonds. Holders of the 2025 Bonds shall receive, in settlement of their claims for alleged breach of the no-call feature of those bonds, an Allowed Claim in the amount of \$15 million, calculated as

10% of the principal amount of those 2025 Bonds. These Allowed Claims will be payable (a) after the Allowed Claims of general unsecured creditors for postpetition interest have been paid in full and (b) *pari passu* with the prepayment premium claims of the holders of the Montana 2033 Bonds, the Nueces 2027 Bonds, the Montana 2027 Bonds, the Nueces 2018 Bonds and the Gila Bonds set forth in the immediately preceding paragraph.

5. Harbinger shall file an administrative expense claim pursuant to section 503(b)(3)(D), or otherwise, for fees reasonably incurred in connection with the Harbinger Plan, up to a cap of \$6 million (the "Substantial Contribution Claim"). The Debtor shall support such claim. Harbinger shall turn over any amount recovered on the Substantial Contribution Claim to the Plan Administrator for distribution to general unsecured creditors to the extent necessary to ensure that general unsecured creditors are paid in full on principal, prepetition interest, and postpetition interest, provided that Harbinger shall be reimbursed for any amount turned over from any funds subsequently available for distribution to general unsecured creditors after their aforementioned claims have been satisfied.

6. The fees and expenses of the Indenture Trustees under the Bonds will be paid in full as Allowed Administrative Claims.

7. The Debtors will seek approval of these terms in a Rule 9019 motion. ASARCO Committee, the Asbestos Claimants' Committee, the Asbestos Subsidiary Committee, the Legal Representative and the Environmental Claimants will not oppose the Debtors' 9019 motion.

8. The Majority Bondholders and Indenture Trustees will not object to or otherwise challenge the entitlement of the Environmental Claimants to postpetition interest on their claims at the federal judgment rate.

9. The Majority Bondholders and Indenture Trustees will not object to the treatment of asbestos claims under the Debtors' Plan or the Parent Plan.