ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010



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ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

DECEMBER 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Trustees of
Asarco Asbestos Personal Injury Settlement Trust

We have audited the special-purpose balance sheet of Asarco Asbestos Personal Injury Settlement Trust (the "Trust") as of December 31, 2010, and the related special-purpose statements of changes in assets and liabilities, and cash flows for the year then ended. These financial statements are the responsibility of the Asarco Asbestos Personal Injury Settlement Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the accompanying financial statements were prepared on a special-purpose basis of accounting in order to communicate the amount of net assets presently available for current and future claimants and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and trust equity of the Asarco Asbestos Personal Injury Settlement Trust as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with the special-purpose basis of accounting described in Note 2.

This report is intended solely for the information and use of the management of the Trust, the Trustees, the beneficiaries of the Trust, and the United States Bankruptcy Court for the Southern District of Texas, and should not be used for any other purpose.

BEDERSON & COMPANY LLP

Bederson & Company LLP

West Orange, New Jersey
March 31, 2011

ASARCO ASBESTOS
PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE BALANCE SHEET
DECEMBER 31, 2010

ASSETS

ASSETS:	
Cash and cash equivalents:	
CitiBank	$ 55,945,554
U.S. Trust	19,019,107
Total cash and cash equivalents	74,964,661
Investments:	
CitiBank:	
Investments	418,620,742
Accrued income	3,364,957
U.S. Trust:	
Investments	460,124,856
Accrued income	4,128,128
Total investments	886,238,683
Other Assets:	
Prepaid assets	145,328
TOTAL ASSETS	$ 961,348,672

LIABILITIES AND NET CLAIMANTS' EQUITY

LIABILITIES:	
Accounts payable	$ 172,004
Federal income tax payable	2,215,712
TOTAL LIABILITIES	2,387,716
NET CLAIMANTS' EQUITY:	
Trust corpus	958,960,956
TOTAL LIABILITIES AND NET CLAIMANTS' EQUITY	$ 961,348,672

The accompanying notes are an integral part of these financial statements



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ASARCO ASBESTOS

PERSONAL INJURY SETTLEMENT TRUST

SPECIAL-PURPOSE STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2010

ADDITIONS:	
Contributions:	
Insurance and settlements	$ 399,563
Investment income, net	
Interest and dividends income	19,391,620
Investment advisory fees	(1,437,618)
Realized gain on sale of securities, net	847,868
Unrealized gain on sale of securities, net	14,559,808
Total investment income, net	33,361,678
TOTAL ADDITIONS	33,761,241
DEDUCTIONS:	
Claims settled	15,039,624
General and administrative:	
Trustees	687,745
Claims processing fees	359,347
Insurance	164,614
Accounting	19,031
Other	20,469
Professional fees:	
Trust professional fees	
Trust general counsel	1,055,676
Trust insurance, special and local counsel	372,948
Trust consultant fees	251,383
Future claims representative fees	50,311
Future claims representative's professional fees and expenses	52,063
TAC attorney fees and expenses	104,805
Federal income tax	2,540,712
TOTAL DEDUCTIONS	20,718,728
NET INCREASE IN TRUST CORPUS	13,042,513
TRUST CORPUS - beginning	945,918,443
TRUST CORPUS - ending	$ 958,960,956

The accompanying notes are an integral part of these financial statements



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ASARCO ASBESTOS

PERSONAL INJURY SETTLEMENT TRUST

SPECIAL-PURPOSE STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in trust corpus	$ 13,042,513
Adjustments to reconcile net increase to net trust corpus from operating activities:	
Realized gain on sale of securities, net	(847,868)
Unrealized gain on investments, net	(14,559,808)
Decrease in:	
Prepaid assets	10,414
Increase in:	
Accounts payable	49,504
Federal income taxes payable	1,889,712
NET CASH USED BY OPERATING ACTIVITIES	(415,533)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	172,474,715
Purchases of investments	(1,035,812,637)
Increase in interest receivable on investments	(7,493,085)
Repayment of note receivable	280,000,000
NET CASH USED BY INVESTING ACTIVITIES	(590,831,007)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(591,246,540)
CASH AND CASH EQUIVALENTS - beginning	666,211,201
CASH AND CASH EQUIVALENTS - ending	$ 74,964,661
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Federal income taxes paid	$ 651,000

The accompanying notes are an integral part of these financial statements

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ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 1 - ORGANIZATION

The Asarco Asbestos Personal Injury Settlement Trust (the "Trust") was established on December 9, 2009 and is a "qualified settlement fund" pursuant to the meaning of Section 1.468B-1 et seq. to the Treasury Regulations promulgated under section 468B of the Internal Revenue Code. The Trust assumed all Asbestos Personal Injury Claims (whether now existing or arising at any time hereafter) of Asarco LLC and its subsidiaries and affiliates, and will use the Trust assets to pay holders of such Asbestos Personal Injury Claims in accordance with the Asarco Asbestos Personal Injury Settlement Trust Agreement and the Asbestos Settlement Trust Distribution.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Trust's financial statements are prepared using special-purpose accounting methods adopted by the Trustees which differ from accounting principles generally accepted in the United States of America. The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net assets available for the payment of claims and related operating expenses of the Trust. Since the accompanying financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount.

The special-purpose accounting methods include the following:

Trust Equity

Trust equity represents funds available to pay asbestos related claims that have been submitted but not processed or not yet submitted. Trust expenses are also paid from trust equity. Under GAAP, trust equity would be reduced for estimates of amounts to be paid for claims that have been submitted, but not processed or not yet submitted.

Claim Expense

Claims are expensed in the period in which the confirmed claims are settled. Under GAAP, a liability would be recorded for an estimate of the amount to be paid for claims that have been incurred but not yet reported, and for those claims that have been submitted but not yet approved for payment by the Trust.

Payments for Services

Payments for services to be received over an extended period in the future are expensed as paid since these amounts are no longer available for the payment of claims. Under GAAP, an asset would be recorded and amortized over the period in which the related benefits are received.

Cash Equivalents

The Trust considers all short-term investments with a maturity of three (3) months, or less to be cash equivalents.

The Trust maintains its cash and cash equivalents, which at times may exceed federally insured limits, with financial institutions. The Trust has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk on cash and cash equivalents.



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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are classified as available for sale and stated at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In accordance with FASB ASC 820-10-50, *Fair Value Measurements* establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.



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ASARCO ASBESTOS PERSONAL INJURY

SETTLEMENT TRUST

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Trust has elected to be treated as a Qualified Settlement Fund under the Internal Revenue Code and Regulations. As a result, the Trust is subject to federal income taxes based on modified gross income. In the opinion of management, the Trust is not subject to state income taxes, and, therefore, the financial statements do not include any provision or liability for state income taxes. However, federal income tax expense for the year ended December 31, 2010 was $2,540,712.

Since the Trust was formed during 2009, no U.S. federal income tax returns are closed under statute of limitations.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to Trust Corpus during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Trust has evaluated subsequent events through March 31, 2011, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investments consist of the following at December 31, 2010:

U.S. Treasury obligations	$ 48,368,895
Common stock and other equities	149,497,856
Corporate debentures	87,456,713
Municipal bonds	433,471,608
Federal agency obligations	114,629,094
International developed bonds	13,688,563
Public real estate investment trusts	2,497,191
Hedge funds	25,070,854
Commodities	11,557,909
	886,238,683
Less: Interest receivable	(7,493,085)
	$ 878,745,598

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NOTE 3 - INVESTMENTS (Continued)

Future maturities of investments as of December 31, 2010 were as follows:

Within 1 year	$ 26,375,609
1 to 4.99 years	249,993,385
5 to 9.99 years	220,495,906
10 to 14.99 years	62,989,857
15 to 19.99 years	17,093,671
Thereafter	120,666,445
	697,614,873
Investments with no stated maturity	188,623,810
	$ 886,238,683

Fair value of common stock is determined based on quoted prices in active markets for identical assets (Level 1). Fair values of public real estate investment trusts, hedge funds and commodities are determined based on unobservable inputs (Level 3). Fair values of the remaining investments are determined based on quoted prices for similar assets or liabilities (Level 2).

The table below sets forth a summary of changes in the fair value of the Trust's Level 3 assets for the year ended December 31, 2010:

Beginning balance	$ -
Unrealized gains	4,364,941
Purchases	34,761,013
Ending balance	$39,125,954

NOTE 4 - CONTINGENCIES

The Trust is a plaintiff in litigation with insurers seeking to establish insurance coverage. The suit could result in a settlement in favor of the Trust. At this time, no estimate can be made as to the amount of ultimate recovery.

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