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

In re:	§	**Case No. 05-21207**
	§	
ASARCO LLC, *et al.*,	§	**Chapter 11**
	§	
Debtors	§	**Jointly Administered**
	§	

ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2010

Hon. Alfred M. Wolin, Ret., David F. Levi, and Charles A. Koppelman (collectively, the "Trustees"), as Trustees of the ASARCO Asbestos Personal Injury Settlement Trust (the "Asbestos Trust"), respectfully file this Annual Report, Financial Statements and Results of Operations for Fiscal Year Ended December 31, 2010 (the "Report"), pursuant to Asarco Incorporated and Americas Mining Corporation's Seventh Amended Plan of Reorganization for the Debtors Under Chapter 11 of the United States Bankruptcy Code, as Modified on August 20, 2009, August 23, 2009, and August 27, 2009 (the "Parent Plan") and the ASARCO Asbestos Personal Injury Settlement Trust Agreement (the "Trust Agreement").

I. General

On August 9, 2005, ASARCO LLC ("ASARCO") filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. Various affiliates of ASARCO (together with ASARCO, the "Debtors") filed bankruptcy petitions both before and after ASARCO's bankruptcy filing. The Debtors' respective bankruptcy cases are jointly administered under Case No. 05-21207. On September 11, 2009, the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") entered its amended recommendation in favor of confirmation of the Parent Plan. On November 13, 2009, the United States District Court for the

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Southern District of Texas (the "District Court") adopted the Bankruptcy Court's recommendation and entered its Memorandum Opinion, Order of Confirmation, and Injunction (the "Confirmation Order"), confirming the Parent Plan. *See* Dkt. No. 79 in Case No. 2:09-CV-00177.

To address the substantial asbestos-related liabilities of the Debtors, the Parent Plan established the Asbestos Trust in accordance with the Trust Agreement. On December 9, 2009, the Effective Date[1] of the Parent Plan, the Asbestos Trust was created and funded with over $900 million in assets, including more than $650 million in cash plus a $280 million secured note from Reorganized ASARCO (the "ASARCO Note"). In addition, the Asbestos Trust received $27.5 million to fund the operating expenses of the Asbestos Trust. *See* Parent Plan, section 6.7. The Confirmation Order appointed Hon. Alfred M. Wolin, Ret., David F. Levi, and Ellen S. Pryor as Trustees of the Asbestos Trust. Ms. Pryor resigned as of March 9, 2010, and Charles A. Koppelman was appointed as her successor on March 10, 2010. *See* Notice of Appointment of Trustee of the ASARCO Asbestos Personal Injury Settlement Trust, filed on March 11, 2010 [Docket No. 14139]. As Trustee Koppelman was not in office until March 10, 2010, he does not join in the submission of this Report for any matter that occurred prior to his appointment.

Under the Trust Agreement, the Trust Advisory Committee ("TAC") represents the holders of present Asbestos Personal Injury Claims, and the Future Claims Representative ("FCR") represents the holders of future Asbestos Personal Injury Claims. *See* Trust Agreement, sections 5.2 and 6.1. Pursuant to the Confirmation Order, Steven Kazan, Steven T. Baron, Robert Phillips, Alan R. Brayton, and Bryan O. Blevins are the members of the TAC, and the Hon. Robert C. Pate is the FCR.

[1] Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Parent Plan.

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The Trust Agreement, at Section 2.2(g), requires that the Asbestos Trust meet with the TAC and FCR no less often than quarterly. The Asbestos Trust held quarterly meetings with the TAC and the FCR on March 10, 2010, June 22, 2010, September 14, 2010, and November 16, 2010.

The Trustees held weekly Trustees' meetings in 2010 by telephone, beginning on January 5, 2010.

The Trustees named Hon. Alfred M. Wolin, Ret., as the Managing Trustee.

In 2010, the Asbestos Trust kept its principal office at 1105 North Market Street, Suite 1300, Wilmington, DE 19801, and its administrative office at c/o Saiber, LLC, Attention: Hon. Alfred M. Wolin, Ret., Managing Trustee, 18 Columbia Turnpike, Suite 200, Florham Park, NJ 07932-2266.

The Asbestos Trust continued its retention of the following: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); Bederson & Company, LLP (auditor and tax advisor); and AON Risk Services Central, Inc. (insurance agent). The Asbestos Trust also retained the following: Legal Analysis Systems (consultant regarding asbestos personal injury claims); Verus Claims Services, LLC (claims processor); U.S. Trust/Bank of America Private Wealth Management (financial consultant, money manager, and banking services); Citi Private Bank (banking, brokerage, custody and investment management services); Anderson Kill & Olick, LLP (insurance coverage counsel); Porzio Bromberg & Newman P.C. (consultant); and Charter Oak Financial Consultants LLC (consultant and database management). The Asbestos Trust terminated its custodian agreement with Northern Trust Global Investments (financial consultant and money manager).

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The TAC retained Caplin & Drysdale as its counsel. The FCR retained Oppenheimer, Blend, Harrison & Tate, Inc., as his counsel.

The Asbestos Trust's general counsel, Stutzman, Bromberg, Esserman & Plifka, serves as the custodian of Trust records.

The Asbestos Trust obtained liability insurance for the Trustees, the members of the TAC and the FCR.

In 2010, the Asbestos Trust (i) invested and managed its assets; (ii) negotiated and reached an agreement in principle with Fireman's Fund Insurance Company, one of the asbestos insurance companies that had issued a pre-petition asbestos insurance policy to ASARCO; (iii) developed the procedures for accepting, processing and paying Pre-Petition Liquidated Asbestos Personal Injury Claims (as defined in the ASARCO Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP")), and began accepting and paying such claims; (iv) conducted an in-depth investigation and document review project into ASARCO's, LAQ's, and CAPCO's asbestos sales records; (v) set up the Asbestos Trust's website, www.asarcotrust.com; and (vi) drafted and made available the Claim Form and other claims submission materials for unliquidated Asbestos Personal Injury Claims, and began accepting such claims.

In 2010, Reorganized ASARCO paid off the entire outstanding balance under the $280 million ASARCO Note.

II. Asbestos Personal Injury Claims

The Asbestos Trust came into existence on December 9, 2009. In 2010, the Trustees accepted and processed 450 Pre-Petition Liquidated Asbestos Personal Injury Claims, ultimately paying, after application of the Payment Percentage, $15,039,624 on account of such Pre-Petition Liquidated Asbestos Personal Injury Claims.

In addition, in 2010 the Trustees developed the Claim Form and other claims submission materials by which the holder of an unliquidated Asbestos Personal Injury Claim may submit his or her claim to the Asbestos Trust for processing and payment. The Asbestos Trust, through its claims processing facility—Verus Claims Services, LLC—began accepting unliquidated Asbestos Personal Injury Claims in July 2010 but, with the consent of the TAC and the FCR, deferred the processing and payment of such claims until the Asbestos Trust completes its investigation and analysis into the CAPCO and LAQ sales records. Specifically, 70,145 unliquidated Asbestos Personal Injury Claims were filed with the Asbestos Trust in 2010, as follows:

Disease Level	Claims
Other Asbestos Disease (Level I)	795
Nonmalignant Asbestos Disease (Level II)	32,040
Nonmalignant Asbestos Disease (Level III)	21,269
Severe Asbestosis (Level IV)	541
Other Cancer (Level V)	2,650
Lung Cancer 2 (Level VI)	2,405
Lung Cancer 1 (Level VII)	6,216
Mesothelioma (Level VIII)	4,064
Unknown	165
Grand Total:	**70,145**

The Trustees' estimate that the future liability of the Asbestos Trust for Asbestos Personal Injury Claims is approximately $3.716 billion, in 2011 dollars using a 4% discount rate. During 2010, the value of the Trust corpus increased by $13,042,513, from $945,918,443 as of

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January 1, 2010, to $958,960,956 as of December 31, 2010. As of December 31, 2010, the Asbestos Trust has not made any payments on account of unliquidated Asbestos Personal Injury Claims, nor has the Asbestos Trust resolved any Asbestos Personal Injury Claims by individual review, by alternative dispute resolution procedures, or by trial.

Excluding legal and certain other professional fees (which are detailed in Section III of this Report), the Asbestos Trust paid $3,103,695 on account of Section 524(g) Trust Expenses in 2010, as follows:

$359,347 for Asbestos Personal Injury Claims processing fees

$164,614 for insurance

$19,031 for accounting services

$19,991 in other expenses (which includes $4,500 paid to the Delaware Trustee, as set forth in Section III below)

$2,540,712 in federal income tax

III. Compensation and Expenses of Trustees, TAC, and FCR

Under Section 4.5(c) of the Trust Agreement, the Asbestos Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the Trustees. The Trustees have received compensation and reimbursement for out-of-pocket expenses during the fiscal year ending December 31, 2010, as follows:

Trustees (3)	$687,745
Delaware Trustee	$4,500

Under Section 3.3 of the Trust Agreement, the Asbestos Trust reports to the Bankruptcy Court the amount of compensation and expenses paid on account of legal and other professional services rendered by Trust professionals. In 2010, the Asbestos Trust paid the following:

Trust General Counsel	$1,055,676

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Trust Litigation Counsel	$372,948
Trust Consultant Fees	$251,383

Under Section 5.6 of the Trust Agreement, the Asbestos Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the TAC and the TAC Professionals. The TAC and certain TAC Professionals have received compensation and reimbursement for out-of-pocket expenses during the fiscal year ending December 31, 2010, as follows:

TAC	$340
TAC Professionals	$104,465

Under Section 6.5 of the Trust Agreement, the Asbestos Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the FCR and any FCR Professional. The FCR and certain FCR Professionals have received compensation and reimbursement for out-of-pocket expenses during the fiscal year ending December 31, 2010, as follows:

FCR	$50,311
FCR Professionals	$52,541

IV. Financial Statements

A copy of the Asbestos Trust's audited financial statements for the year ending December 31, 2010, including a balance sheet as of December 31, 2010, and a statement of operations for 2010, is attached hereto as Exhibit A. Exhibit A also includes Bederson & Company LLP's opinion as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with special purpose accounting methods.

The Asbestos Trust provided copies to the TAC and FCR on April 27, 2011.

V. Certification

The Trustees certify that they have performed pursuant to and in compliance with the Parent Plan, the Trust Agreement, the TDP, the Confirmation Order, and such other Parent Plan documents and Bankruptcy Court orders pertaining to the operation of the Asbestos Trust during the fiscal year ended December 31, 2010.

This Certification may be signed in any number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute one and the same Certification.

TRUSTEES:

/s/ Alfred M. Wolin
HON. ALFRED M. WOLIN, RET.

/s/ David F. Levi
DAVID F. LEVI

/s/ Charles A. Koppelman
CHARLES A. KOPPELMAN

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Respectfully submitted this 29th day of April 2011,

STUTZMAN, BROMBERG,
ESSERMAN & PLIFKA,

A PROFESSIONAL CORPORATION

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