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, 2014

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" or "Trust"), respectfully file this Annual Report, Financial Statements and Results of Operations for Fiscal Year Ended December 31, 2014 (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

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favor of confirmation of the Parent Plan. On November 13, 2009, the United States District Court for the Southern District of Texas (the "District Court") adopted the Bankruptcy Court's recommendation and entered its Memorandum Opinion, Order of Confirmation, and Injunction, confirming the Parent Plan (as modified on November 16, 2009 and December 3, 2009, the "Confirmation Order"). *See* Dkt. No. 79, 80 and 96 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 Trustees of the Asbestos Trust are the Hon. Alfred M. Wolin, Ret., David F. Levi, and Charles A. Koppelman.

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. The TAC members are Steven Kazan, Steven T. Baron, Alan R. Brayton, and Bryan O. Blevins, with Robert Phillips serving as a TAC member until his resignation effective October 3, 2014; he appointed Perry J. Browder as his successor. 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 February 25, 2014, May 20, 2014, September 16, 2014, and November 11, 2014.

The Trustees held weekly Trustees' meetings in 2014 by telephone, beginning on January 6, 2014.

Hon. Alfred M. Wolin, Ret., is the Managing Trustee of the Trust.

In 2014, 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 moved the accounting and tax work from Bederson & Company, LLP to CBIZ, which had been retained in 2013 as reported in last year's report. The Asbestos Trust continued its retention of the following: Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation (general counsel); BDO LLP (independent auditors); AON Risk Services Central, Inc. (insurance agent); 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, custodian banking and other banking services); Citi Private Bank (financial consultant, money manager, custodian banking and other banking services); and Anderson Kill & Olick, LLP (insurance coverage counsel). The Trust retained local counsel and other consultants, as needed.

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The TAC continued its retention of Caplin & Drysdale as its counsel. The FCR continued his retention of Strasburger Price Oppenheimer Blend as his counsel.

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

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

In 2014, the Asbestos Trust (i) invested and managed its assets; (ii) received payment from Mt. McKinley Insurance Company on a settlement that had been negotiated previously to resolve outstanding disputes; (iii) continued pursuit of claims in certain pending insurance insolvency proceedings; (iv) processed and paid Pre-Petition Liquidated Asbestos Personal Injury Claims (as defined in the ASARCO Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP")); (v) continued to examine and analyze ASARCO's, LAQ's, and CAPCO's asbestos sales records and historical asbestos records; (vi) managed the Asbestos Trust's website, www.asarcotrust.com; (vii) accepted Asbestos Personal Injury Claims based on CAPCO Exposure, LAQ Exposure and/or both, as defined in the TDP; (viii) processed both CAPCO claims and LAQ claims; (ix) continued paying Asbestos Personal Injury Claims; (x) reviewed accounting and auditing functions for the Trust; (xi) consulted with Legal Analysis Systems regarding claims data and forecasts of the Trust's liability for Asbestos Personal Injury Claims; (xii) attended to dismissals of various state court litigation filed against ASARCO in violation of the 524(g) channeling injunction; (xiii) sent quarterly reports to certain London Market Insurers, as required by the Plan; (xiv) drafted procedures for the review and liquidation of Asbestos Premises Liability Claims for consideration pursuant to the TDP; (xv) handled and processed premises claims; (xvi) posted appropriate

notices on the Trust's website for all claimants; (xvii) amended Section 5.5 of the TDP to permit a claimant submitting a secondary exposure claim, as described in Section 5.5 of the TDP, to elect whether the claim be processed under Expedited Review or Individual Review, rather than requiring the claim be reviewed under the Individual Review process; (xviii) conducted an audit of certain claims submitted to the Trust; (xix) on recommendation of CPB, amended the Investment Policy Statement dated April 30, 2012, to adjust the lower limit and target allocations for the cash and cash equivalents held in the portfolio of Trust assets in custody with CPB; (xx) on recommendation of Verus, modified the proof of claim form to eliminate a question asking the claimant to identify whether the claim is based on exposure to a CAPCO asbestos-containing product, a product containing LAQ asbestos fibers, or both; (xxi) in accordance with Section 5.10 of the TDP, the Trust, with the consent of the TAC and the FCR, adopted the ASARCO Asbestos Personal Injury Settlement Trust Alternative Dispute Resolution Procedures ("ADR Procedures") and designated Verus to serve as the ADR Administrator as that term is used in the ADR Procedures; (xxii) purchased director and officer Liability Insurance Policies from Ironshore Indemnity Inc. and XL Specialty Insurance Company, to replace expiring policies; (xxiii) amended the Claims Processing Agreement with Verus, considering the impact of inflation and desiring to clarify the functions performed by Verus, effective on the renewal of the Claims Processing Agreement; (xxiv) adopted Revised Expedited Review Guidelines for LAQ Exposure, to amend Schedule A regarding occupations for LAQ Exposure based on Garlock gaskets; (xxv) oversaw litigation affecting the Trust, and (xxvi) performed all functions required for Trust governance, including maintaining the Trust's books and records, and responding to subpoenas for information and other processes.

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II. Asbestos Personal Injury Claims

The Asbestos Trust came into existence on December 9, 2009. In 2014, the Trustees accepted and processed 495 Pre-Petition Liquidated Asbestos Personal Injury Claims, ultimately paying, after application of the Payment Percentage, $1,400,390.85 on account of such Pre-Petition Liquidated Asbestos Personal Injury Claims.

In addition, in 2014 the Asbestos Trust, through its claims processing facility—Verus Claims Services, LLC ("Verus")—continued accepting unliquidated Asbestos Personal Injury Claims. Verus processed and paid various Asbestos Personal Injury Claims in 2014. Through December 31, 2014, 313,585 unliquidated Asbestos Personal Injury Claims were submitted to the Asbestos Trust, as follows:

Disease Level	Claims to date	Claims in 2014
Other Asbestos Disease (Level I)	14,003	462
Nonmalignant Asbestos Disease (Level II)	125,735	8,261
Nonmalignant Asbestos Disease (Level III)	67,989	5,866
Severe Asbestosis (Level IV)	6,074	377
Other Cancer (Level V)	11,782	1,071
Lung Cancer 2 (Level VI)	7,184	1,239
Lung Cancer 1 (Level VII)	38,934	5,673
Mesothelioma (Level VIII)	25,948	5,335
Unknown	15,936	7,057
Total:	**313,585**	**35,341**

Of the 35,341 Asbestos Personal Injury Claims submitted to the Trust in 2014, 13,422 have been withdrawn, 0 have been rejected, 7,740 have been deferred, and 36 have been approved for payment. As of December 31, 2014, the Asbestos Trust had paid a total of $36,952,943.36 on account of unliquidated Asbestos Personal Injury Claims.

Under Section 3.3 of the Trust Agreement, the Trust reports payments for Asbestos PI Trust Expenses. The Trust's operating expenses are listed in the Supplemental Information to the attached audited financial statements as addressed below.

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, on an accrual basis, compensation and reimbursement for out-of-pocket expenses for the fiscal year ending December 31, 2014, as follows:

Trustees (3)	$938,340.09
Delaware Trustee	$4,494.18

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 members. The TAC has received, on an accrual basis, compensation and reimbursement for fees and expenses, including counsel, during the fiscal year ending December 31, 2014, as follows:

TAC	$110,472.57

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. The FCR has received, on an accrual basis, compensation and reimbursement for fees and expenses, including counsel, during the fiscal year ending December 31, 2014, as follows:

FCR	$146,716.76

IV. Financial Statements

A copy of the Asbestos Trust's audited financial statements for the year ending December 31, 2014, including a balance sheet as of December 31, 2014, and a statement of

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operations for 2014, is attached hereto as Exhibit A. Exhibit A also includes BDO 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 30, 2015.

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, 2014.

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 30th day of April 2015,

STUTZMAN, BROMBERG, ESSERMAN & PLIFKA,

A PROFESSIONAL CORPORATION

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ATTORNEYS FOR THE ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

CERTIFICATE OF SERVICE

The undersigned certifies that on this 30th day of April 2015 the foregoing ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2014 was served via ECF on all those parties receiving such notice through the Court's CM/ECF system.

/s/ Peter C. D'Apice
Peter C. D'Apice

ASARCO Asbestos Personal Injury Settlement Trust

Audited Special-Purpose
Financial Statements
Years Ended December 31, 2014 and 2013

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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ASARCO Asbestos Personal Injury Settlement Trust

Audited Special-Purpose Financial Statements
Years Ended December 31, 2014 and 2013

ASARCO Asbestos Personal Injury Settlement Trust

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Independent Auditor's Report

Trustees
ASARCO Asbestos Personal Injury Settlement Trust
Florham Park, New Jersey

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of ASARCO Asbestos Personal Injury Settlement Trust (the Trust) which comprise the special-purpose statements of assets, liabilities and net claimants' equity as of December 31, 2014 and 2013, and the related special-purpose statements of changes in net claimants' equity and special-purpose statements of cash flows for the years then ended and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special-purpose financial statements in accordance with the basis of accounting described in Note 2 to the special-purpose financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits 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 special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the net claimants' equity of ASARCO Asbestos Personal Injury Settlement Trust as of December 31, 2014 and 2013, and the changes in net claimants' equity and cash flows for the years then ended in accordance with the special-purpose basis of accounting described in Note 2 to the special-purpose financial statements.

Basis of Accounting

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 2, these special-purpose financial statements were prepared on a special-purpose basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified on this matter. The special-purpose basis of accounting has been used in order to communicate the amount of net equity presently available to fund current and future claimants.

Restriction of Use

Our 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 is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report which, upon filing with the United States Bankruptcy Court for the Southern District of Texas, is a matter of public record.

BDO USA, LLP

McLean, Virginia
April 21, 2015

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Audited Special-Purpose Financial Statements

ASARCO Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Assets, Liabilities and Net Claimants' Equity

December 31,	2014	2013
Assets		
Cash and cash equivalents		
Citibank	$ 49,369,648	$ 40,031,483
U.S. Trust	18,592,526	20,847,498
TD Bank	233	233
Total cash and cash equivalents	67,962,407	60,879,214
Investments		
Citibank		
Investments	509,255,954	503,870,503
Income receivable	4,208,826	4,453,073
U.S. Trust		
Investments	525,871,122	526,513,340
Income receivable	4,659,050	4,523,786
Total investments	1,043,994,952	1,039,360,702
Prepaid expenses	115,186	133,500
Total assets	1,112,072,545	1,100,373,416
Liabilities		
Settled claims payable	2,538,455	11,598,618
Accounts payable	420,571	721,174
Federal income tax payable	360,000	707,000
Total liabilities	3,319,026	13,026,792
Net claimants' equity	$ 1,108,753,519	$ 1,087,346,624

See accompanying notes to the special-purpose financial statements.

ASARCO Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Changes in Net Claimants' Equity

Years Ended December 31,	2014	2013
Additions		
Contributions		
Insurance settlements	$ 3,700,000	$ 36,800,000
Investment income		
Interest and dividend, net	26,213,499	24,118,220
Investment advisory fees	(3,398,228)	(3,139,543)
Realized gains on sale of investment securities	14,495,467	14,540,503
Gain from investment in hedge funds	1,809,460	6,705,678
Unrealized gain on investments	19,482,877	6,660,102
Total investment income, net	58,603,075	48,884,960
Other income	2,000	-
Total additions	62,305,075	85,684,960
Deductions		
Claims settled	29,293,171	18,680,182
General and administrative expenses		
Trustees	938,340	881,904
Claims processing fees	1,586,065	1,610,817
Claims consulting and forecasting fees	39,317	21,424
Insurance	140,619	149,800
Accounting	260,579	177,362
Future claims representative fees and expenses	146,717	23,504
Others	40,038	46,030
Professional services		
Trust professional fees		
Trust general counsel	905,500	904,799
Trust insurance, special and local counsel	84,362	286,929
Future claims representative attorney fees	-	47,812
TAC attorney fees and expenses	110,472	77,180
Federal income tax	7,353,000	9,102,000
Total deductions	40,898,180	32,009,743
Increase in net claimants' equity	21,406,895	53,675,217
Net claimants' equity at the beginning of the year	1,087,346,624	1,033,671,407
Net claimants' equity at the end of the year	$ 1,108,753,519	$ 1,087,346,624

See accompanying notes to the special-purpose financial statements.

ASARCO Asbestos Personal Injury Settlement Trust

Special-Purpose Statements of Cash Flows

Years Ended December 31,	2014	2013
Cash flows from operating activities:		
Net increase in claimants' equity	$ 21,406,895	$ 53,675,217
Adjustments to reconcile net increase in net claimants' equity to net cash (used in) provided by operating activities:		
Realized gain on sale of securities	(14,495,467)	(14,540,503)
Gain from hedge fund investments, net	(1,809,460)	(6,705,678)
Unrealized gain on investment securities, net	(19,482,877)	(6,660,102)
Amortization of bond premium	10,260,370	10,124,386
Changes in operating assets and liabilities:		
Prepaid expenses	18,314	606,500
Settled claims payable	(9,060,163)	10,978,552
Accounts payable	(300,603)	707,000
Federal income taxes payable	(347,000)	-
Total adjustments	(35,216,886)	(5,489,845)
Net cash (used in) provided by operating activities	(13,809,991)	48,185,372
Cash flows from investing activities:		
Change in accrued interest and dividends receivable	108,983	(852,075)
Proceeds from sales of investments	211,870,671	359,727,166
Purchases of investments	(191,086,470)	(430,938,262)
Net cash provided by (used in) investing activities	20,893,184	(72,063,171)
Net increase (decrease) in cash and cash equivalents	7,083,193	(23,877,799)
Cash and cash equivalents at the beginning of the year	60,879,214	84,757,013
Cash and cash equivalents at the end of the year	$ 67,962,407	$ 60,879,214

See accompanying notes to the special-purpose financial statements.

Asarco Asbestos Personal Injury Settlement Trust

Notes to the Special-Purpose Financial Statements

1. Description of the Trust

The ASARCO Asbestos Personal Injury Settlement Trust (the Trust), organized pursuant to the laws of the State of Delaware, 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 was formed to assume all Asbestos PI Trust Claims (whether now existing or arising at any time hereafter) and to use the Asbestos PI Trust assets to pay holders of claims in accordance with the Asbestos PI Trust Agreement. The Trust's funding is dedicated solely to the settlement of asbestos personal injury claims and the related costs thereto, as defined in the ASARCO Personal Injury Settlement Trust Agreement (Trust Agreement). The Trust's principal office is in Wilmington, Delaware and its administrative office is located in Florham Park, New Jersey. Defined terms have the meaning that is defined in the Trust Agreement.

2. Significant Accounting Policies

Basis of presentation

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 (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the net claimants' equity 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:

a. Investment securities are recorded at fair market value. All interest and dividend income, net of investment expenses, are included in investment income in the accompanying special-purpose statements of changes in net claimants' equity. Net realized and unrealized gains and (losses) on investment securities are recorded as a net addition or (deduction) in the special-purpose statements of changes in net claimants' equity.

b. Insurance recoveries are recorded when the related policies are settled and collectability is assured from the insurance carriers. These recoveries come from various insurance settlements, which were obtained by entities which assigned the rights to such policies to the Trust or were negotiated by the Trust.

c. Future fixed liabilities under contractual obligations and other agreements entered into by the Trust are recorded as deductions in the same period that such contractual obligations or agreements are signed. Under GAAP, liabilities and contractual obligations are recorded over the period that is benefited by the underlying contract or agreement.

d. The full amounts of claims are generally treated as deductions from net claimants' equity in the period in which the settled claims are approved for payment. A settled claim is a claim that has been accepted by the claimant, with an executed release submitted to the Trust, and approved by the Trustees. 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.

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e. Income tax expense is estimated and recorded as incurred in the period in which certain income and expense items affect current federal income taxes payable. Income tax refunds are recorded when cash is received by the Trust. Under GAAP, the provision for income taxes is recorded based upon income reported for financial statement purposes, and federal and state income taxes both currently payable and changes in deferred taxes due to differences between financial reporting and tax bases of assets and liabilities, such as unrealized gains and losses on investment securities.

Use of estimates

The preparation of special-purpose financial statements in conformity with the special-purpose accounting methods described above requires the Trust to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the special-purpose financial statements, as well as the reported amounts of additions and deductions to net claimants' equity during the reporting period. Actual results could differ from those estimates and such differences could have a material effect on net claimants' equity.

Cash equivalents and investment securities

The Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investment securities are stated at fair market value with changes in unrealized gains and losses recorded in the current period. Investment income is recognized when earned. Any unearned interest and dividend income are recorded as accrued interest and dividends receivable. Realized gains and losses on sales are determined using the specific identification method.

Accrued claims, accrued expenses and accounts payable

Accrued claims consist of certain claims that are settled but unpaid at December 31, 2014 and 2013. A settled claim is a claim that has been accepted by the claimant, with an executed release submitted to the Trust, and approved by the Trustees. An unpaid claim is a claim that has been approved for payment by the Trustees, but cannot be paid due to annual cap limitations or has been authorized by the Trustees and not paid. Unpaid claims that are a result of annual cap limitations are recorded when settled.

Accrued expenses and accounts payable consist of outstanding invoices associated with managing the Trust.

Operating expenses

Operating expenses of the Trust are recorded as deductions on the statements of changes in net claimants' equity in the period in which the invoices are received and approved.

Income taxes

The Trust is classified as a Qualified Settlement Fund under the Internal Revenue Code. As a result, the Trust is subject to federal income taxes based on modified gross income. In the opinion of Trust's management, the Trust is not subject to state income taxes, and therefore,

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special-purpose financial statements do not include any provision or liability for state income taxes.

The Trust files income tax returns in the United States of America (U.S.) federal jurisdiction. Since the Trust was formed during 2009, no U.S. federal income tax returns are closed under statute of limitations.

The Trust records income tax expense (or benefit) associated with amounts payable (or receivable) under current federal income taxes, and does not record a provision for (or benefit from) deferred taxes. Accordingly, there is no provision for deferred taxes associated with changes in cumulative unrealized gains and losses on investments (see Note 3). The income taxes associated with gains on investments will be recorded in the Trust's special-purpose financial statements when the net gains are realized (i.e. the securities are sold) and the income taxes become currently payable.

Risk and uncertainties

The Trust's assets that are exposed to credit risk consist primarily of cash and cash equivalents and investment securities. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Trust has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2014 approximate $67.5 million.

The Trust invests in a professionally managed investment portfolio that contains common shares of publicly traded companies, corporate and government obligations, public real estate investment trusts, commodities, and hedge funds. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's account balance and the amounts reported in the special-purpose statements of assets, liabilities and net claimants' equity.

3. Cash, Cash Equivalents and Investment Securities

Cash, cash equivalents, and investment securities consist of the following at December 31, 2014:

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	$ 67,962,407	$ 67,962,407	$ -
Equities	187,182,040	240,778,105	53,596,065
Bonds	718,347,565	745,595,425	27,247,860
Public real estate investment trusts	5,044,364	6,545,336	1,500,972
Hedge funds	36,030,961	42,208,210	6,177,249
Total cash, cash equivalents and investments	$1,014,567,337	$1,103,089,483	$ 88,522,146

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Asarco Asbestos Personal Injury Settlement Trust

Notes to the Special-Purpose Financial Statements

Cash, cash equivalents, and investment securities consist of the following at December 31, 2013:

	Cost	Fair Market Value	Unrealized Gains
Cash and cash equivalents	$ 60,880,213	$ 60,879,214	$ (999)
Equities	182,311,299	240,434,543	58,123,244
Bonds	730,920,381	734,101,240	3,180,859
Public real estate investment trusts	4,722,892	4,956,160	233,268
Hedge funds	34,916,503	42,592,060	7,675,557
Commodities	8,472,500	8,299,840	(172,660)
Total cash, cash equivalents and investments	$1,022,223,788	$1,091,263,057	$ 69,039,269

The maturities of the Trust's investment in bonds are as follows as of December 31, 2014:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Year Through 10 Years	After 10 Years	Total
Bonds	$ 23,137,389	$ 297,997,386	$ 196,378,527	$228,082,123	$ 745,595,425

The maturities of the Trust's investment in bonds are as follows as of December 31, 2013:

	Less than 1 Year	After 1 Year Through 5 Years	After 5 Year Through 10 Years	After 10 Years	Total
Bonds	$ 48,865,595	$ 318,522,331	$ 207,399,480	$159,313,834	$ 734,101,240

4. Fair Value Measurements

The Trust's investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the Trust would use valuation models.

The Trust's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the investment.
- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Trust uses to measure its financial assets at fair value.

Equities and Commodities: Valued at the closing price reported on the active market on which the individual securities are traded.

Bonds: Valued using the documented trade price if trading in an active market. Otherwise, valued using a metrics system provided by the pricing vendors.

Public real estate investment trusts and hedge funds: Valued using the Trust's proportionate share of each fund's net assets, as reported as of the date of the special-purpose financial statements.

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Asarco Asbestos Personal Injury Settlement Trust

Notes to the Special-Purpose Financial Statements

Investments measured at fair value on a recurring basis are summarized below:

	As of December 31, 2014			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 67,962,407	$ 67,962,407	$ -	$ -
Equities	240,778,105	240,778,105	-	-
Bonds:				
Government	50,400,065	-	50,400,065	-
Corporate	45,533,343	-	45,533,343	-
International	5,419,226	-	5,419,226	-
Municipal	644,242,791	-	644,242,791	-
Total bonds	745,595,425	-	745,595,425	-
Public real estate investment trusts	6,545,336	6,545,336	-	-
Hedge funds	42,208,210	-	-	42,208,210
Total assets at fair value	$ 1,103,089,483	$ 315,285,858	$ 745,595,425	$ 42,208,210

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Asarco Asbestos Personal Injury Settlement Trust

Notes to the Special-Purpose Financial Statements

	As of December 31, 2013			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 60,879,214	$ 60,879,214	$ -	$ -
Equities	240,434,543	240,434,543	-	
Bonds:				
Government	28,852,487	-	28,852,487	
Corporate	33,201,789	-	33,201,789	
International	364,198,523	-	364,198,523	
Municipal	307,848,441	-	307,848,441	
Total bonds	734,101,240	-	734,101,240	
Public real estate investment trusts	4,956,160	4,956,160	-	-
Hedge funds	42,592,060	-	-	42,592,060
Commodities	8,299,840	8,299,840	-	-
Total assets at fair value	$ 1,091,263,057	$ 314,569,757	$ 734,101,240	$ 42,592,060

Level 3 gains and losses

The following table sets forth a summary of changes in the fair value of the Trust's hedge funds (Level 3 assets) for the years ended December 31, 2014 and 2013:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2014	2013
Balance, at the beginning of the year	$ 42,592,060	$ 37,482,177
Gain	1,809,460	6,705,678
Purchases	17,981,353	9,605,070
Sales	(20,174,663)	(11,200,865)
Balance, at the end of the year	$ 42,208,210	$ 42,592,060

Hedge funds generally employ long, short and multi-trading strategies in various markets. These funds have semi-annual and quarterly redemption periods with notice periods of between 45 to 99 days.

5. Income Taxes

During the year ended December 31, 2014, the Trust paid income taxes and recorded income tax expense of $4,450,000 and $7,353,000, respectively. During the year ended December 31, 2013, the Trust paid income taxes and recorded income tax expense of $7,655,000 and $9,102,000, respectively. Additionally, as of December 31, 2014 and 2013, the Trust has recorded income tax payable of $360,000 and $707,000, respectively.

As disclosed in Note 2 to the special-purpose financial statements, the Trust does not record a provision for (or benefit from) deferred income taxes. Accordingly, there is no provision for deferred taxes associated with cumulative unrealized gains and losses on investments.

6. Claims Settled

For the years ended December 31, 2014 and 2013, the Trust settled 2,392 and 907 claims totaling $29,293,171 and $18,680,182, respectively. For the years ended December 31, 2014 and 2013, the Trust received 33,640 and 135,943 new claim filings, respectively.

7. Contingent Liabilities

The Plan Documents (as defined in the Confirmed Plan) subject the Trust to certain reimbursement and indemnification obligations that may result in future claims against the Trust. The probability of such claims cannot be reasonably determined. Accordingly, no associated liability has been recorded in the accompanying special-purpose financial statements. Such claims, if any, are not expected to be material.

8. Liability for Asbestos Claims

Personal injury claims that were settled, but unpaid as of December 31, 2014 and 2013, have been accrued and included in claims payable. These amounts have been included in deductions from net claimants' equity in the accompanying special-purpose statements of changes in net claimants' equity for the payment of claims for the years ended December 31, 2014 and 2013.

The Trust considers settled claims as claims that were approved through the Claim Review Process for which the claimant has returned a signed release to the Trust.

The ultimate number of Asbestos PI Trust Claims to be filed and the liability for all such claims are not determinable at this time. The net claimants' equity at December 31, 2014 and 2013 represents funding available for all Asbestos PI Trust Claims for which no fixed liability has yet been established.

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Notes to the Special-Purpose Financial Statements

9. Subsequent Events

The Trust has evaluated its December 31, 2014 special-purpose financial statements for subsequent events through April 21, 2015, the date the special-purpose financial statements were available to be issued. The Trust is not aware of any subsequent events which would require recognition or disclosure in the special-purpose financial statements.

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