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, 2016

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, 2016 (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, Bryan O. Blevins and Perry J. Browder. The Hon. Robert C. Pate is the FCR.

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

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

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the TAC and the FCR on February 23, 2016, May 17, 2016, September 20, 2016, and November 15, 2016.

The Trustees held weekly Trustees' meetings in 2016 by telephone, beginning on January 4, 2016.

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

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); CBIZ (accounting and tax work); BDO USA LLP (independent auditors); AON Risk Services Central, Inc. (insurance agent); Legal Analysis Systems (consultant regarding asbestos personal injury claims); Verus Claims Services, LLC ("Verus") (claims processor); U.S. Trust/Bank of America Private Wealth Management ("BoA") (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.

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

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

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

In 2016, the Asbestos Trust (i) invested and managed its assets; (ii) continued pursuit of claims in certain pending insurance insolvency proceedings; (iii) processed and paid Pre-Petition Liquidated Asbestos Personal Injury Claims (as defined in the ASARCO Asbestos Personal Injury Settlement Trust Distribution Procedures ("TDP")); (iv) continued to examine and analyze as needed ASARCO's, LAQ's, and CAPCO's asbestos sales records and historical asbestos records; (v) managed the Asbestos Trust's website, www.asarcotrust.com; (vi) accepted Asbestos Personal Injury Claims based on CAPCO Exposure, LAQ Exposure and/or both, as defined in the TDP; (vii) processed both CAPCO claims and LAQ claims, providing directions to the claims facility for the liquidation of the Asbestos Personal Injury Claims; (viii) continued paying Asbestos Personal Injury Claims; (ix) reviewed accounting and auditing functions for the Trust; (x) consulted with Legal Analysis Systems regarding claims data and forecasts of the Trust's liability for Asbestos Personal Injury Claims; (xi) sought dismissals of any state court litigation filed against ASARCO in violation of the 524(g) channeling injunction; (xii) handled and processed premises claims; (xiii) posted appropriate notices on the Trust's website for all claimants; (xiv) conducted audits of Asbestos Personal Injury Claims submitted to the Trust pursuant to an audit program adopted under the TDP; (xv) on recommendation of Citi Private Bank, adopted a revised investment policy statement for assets in the custody of Citi Private Bank; (xvi) on recommendation of BoA, adopted amended investment guidelines titled Investment Policy Statement as of February 29, 2016, to apply to the investment of assets in custody with BoA; (xvii) purchased director and officer Liability Insurance Policies from Ironshore Indemnity, Inc., XL Specialty

Insurance Company and Nationwide to replace expiring policies; (xviii) approved the purchase of a Side A Difference In Conditions Directors and Officers Liability Insurance Policy from Freedom Specialty Insurance Company (xix) approved an amendment to the Claims Processing Agreement with Verus; (xx) reviewed the methodology for liquidating Asbestos PI Claims under the Individual Review procedures of the TDP; (xxi) performed all functions required for Trust governance, including maintaining the Trust's books and records, and responding to subpoenas for information and other processes.

The process for reviewing and liquidating Asbestos PI Claims is governed by the TDP. The TDP recognizes that estimates of liabilities and the value of assets fluctuate over time and, accordingly, applies a "Payment Percentage" to the liquidated value of allowed Asbestos PI Claims other than a claim involving Other Asbestos Disease (Disease Level I-Cash Discount Payment) and Asbestos Premises Liability Claims covered by an applicable Asbestos Insurance Policy. *See* TDP § 2.3. The TDP directs the Trustees to periodically "reconsider the then applicable Payment Percentage to assure that the Payment Percentage is based on accurate and current information," and to, if necessary, change the Payment Percentage with the consent of the TAC and the FCR. *Id.* at § 4.2. In making this determination, the Trustees are directed to "base their determination of the Payment Percentage on current estimates of the number, types, and values of present and future Asbestos Personal Injury Claims, the value of the assets then available to the Asbestos Trust for payment of Asbestos Trust Determined Claims, all anticipated administrative and legal expenses, and any other material matters that are reasonably likely to affect the sufficiency of funds to pay a comparable percentage of full value to all holders of Asbestos Personal Injury Claims." *Id.* The Trustees are further directed to "exercise common sense and flexibly

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evaluate all relevant factors." *Id.* The Payment Percentage in 2016 was 22%. The Trustees will review the Payment Percentage in 2017.

II. Asbestos Personal Injury Claims

The Asbestos Trust came into existence on December 9, 2009. In 2016, the Trustees accepted and processed 24 Pre-Petition Liquidated Asbestos Personal Injury Claims, ultimately paying, after application of the Payment Percentage, $46,734 on account of such Pre-Petition Liquidated Asbestos Personal Injury Claims.

In addition, in 2016 the Asbestos Trust, through Verus, its claims processing facility, continued accepting unliquidated Asbestos Personal Injury Claims. Verus processed and paid various Asbestos Personal Injury Claims in 2016. Through December 31, 2016, 348,844 unliquidated Asbestos Personal Injury Claims were submitted to the Asbestos Trust, as follows:

Disease Level	Claims to date	Claims in 2016
Other Asbestos Disease (Level I)	14,974	659
Nonmalignant Asbestos Disease (Level II)	139,048	7978
Nonmalignant Asbestos Disease (Level III)	75,177	4287
Severe Asbestosis (Level IV)	6,413	177
Other Cancer (Level V)	13,489	911
Lung Cancer 2 (Level VI)	8,965	993
Lung Cancer 1 (Level VII)	44,718	3158
Mesothelioma (Level VIII)	29,714	2032
Unknown	16,346	448
Total:	**348,844**	**20,643**

Of the 20,643 Asbestos Personal Injury Claims submitted to the Trust in 2016, 390 have been withdrawn, 6,361 have been deferred, and 157 have been approved for payment. Since inception, not including premises claims, the Trust has paid a total of $114,305,964 on

account of unliquidated Asbestos Personal Injury Claims, of which $42,909,199 was paid in 2016.

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, 2016, as follows:

Trustees (3)	$944,319.47
Delaware Trustee	$3,000.00

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, 2016, as follows:

TAC	$67,650.59

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, 2016, as follows:

FCR	$133,516.05

IV. Financial Statements

A copy of the Asbestos Trust's audited financial statements for the year ending December 31, 2016, including a balance sheet as of December 31, 2016, and a statement of operations for 2016, is attached hereto as Exhibit A. Exhibit A also includes BDO USA 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, 2017.

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, 2016.

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 28th day of April 2017,

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 28th day of April 2017 the foregoing ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE ASARCO ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR FISCAL YEAR ENDED DECEMBER 31, 2016, 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

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