

UNITED STATES BANKRUPTCY COURT

Southern District of Texas

ALC, Inc.  
Case Number: 05-21888

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NOTES PERTAINING TO ALL SCHEDULES AND STATEMENTS<sup>1</sup>

The Schedules of Assets and Liabilities (the "Schedules") and the Statements of Financial Affairs (the "Statements") and collectively with the Schedules, (the "Schedules and Statements") of the debtor referenced above (the "Debtor") in this Chapter 11 case have been prepared pursuant to 11 U.S.C. § 521 and Rule 1007 of the Federal Rules of Bankruptcy Procedure by management of the Debtor with the assistance of their court-appointed advisors and are unaudited. While management has made reasonable efforts to ensure that the Schedules and Statements are accurate and complete based on information that was available to them at the time of preparation, subsequent information or discovery may result in material changes to these Schedules and Statements, and inadvertent errors or omissions may exist. Moreover, because the Schedules and Statements contain unaudited information which is subject to further review and potential adjustment, there can be no assurance that these Schedules and Statements are complete. Furthermore, nothing contained in the Schedules and Statements shall constitute a waiver of rights with respect to these jointly administered Chapter 11 cases and specifically with respect to any issues involving causes of action arising under the provisions of Chapter 5 of the Bankruptcy Code and other relevant nonbankruptcy laws to recover assets, avoid transfers, or to adjust the priority or treatment of any claim.

Amendment. While reasonable efforts were made to file complete and accurate Schedules and Statements, inadvertent errors or omissions may exist. The Debtor reserves all rights to amend and/or supplement these Schedules and Statements as is necessary and appropriate.

Basis of Presentation/ Preparation. For accounting purposes, ASARCO LLC, the parent of the Debtor, historically has prepared consolidated financial statements that are audited annually and address information regarding all subsidiaries, including the Debtor. Unlike the consolidated financial statements, these Schedules and Statements, to the extent possible, reflect the assets and liabilities of this Debtor. The assets and claims set forth in the Schedules and Statements of the Debtor are substantially different from financial information that would be prepared on a consolidated basis under Generally Accepted Accounting Principles ("GAAP"). Therefore, these Schedules and Statements do not purport to represent financial statements prepared in accordance with GAAP nor are they intended to fully reconcile to such financial statements.

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<sup>1</sup> These notes are in addition to the specific notes contained in the Debtor's Schedules and Statements. The fact that the Debtor has prepared a General Note with respect to a particular Schedule (or Statement) and not to others does not reflect and should not be interpreted as a decision by the Debtor to exclude the applicability of such General Note to any or all of the Debtor's remaining Schedules (or Statements), as appropriate.

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Claims Description. Any failure to designate a claim on the Debtor's Schedules and Statements as "disputed," "contingent" or "unliquidated" does not constitute an admission by the Debtor that such amount is not "disputed," "contingent" or "unliquidated." The Debtor reserves the right to dispute any claim reflected on these Schedules or Statements on any grounds, including, but not limited to, amount, liability or classification, or to otherwise subsequently designate such claims as "disputed," "contingent" or "unliquidated." The Debtor reserves its rights to object to any scheduled and non-scheduled claims.

Current Market Value of Assets. It would be prohibitively expensive, unduly burdensome and an inefficient use of estate assets for the Debtor to obtain current market valuations of all of its assets. Accordingly, unless otherwise indicated, net book values are reflected on the Debtor's Schedules and Statements for assets. For this reason, amounts ultimately realized may vary from net book value and such variance may be material. Exceptions to this include operating cash, real property, and certain other assets. Operating cash is presented at bank balances as of October 13, 2005 (the "Petition Date"), which does not include cash held by non-Debtor entities. To the extent available, real property values reflect the most recent independent appraisals or tax appraisal values. Certain other assets such as interest in insurance policies are listed at undetermined amounts as the net book values may materially differ from fair market values.

Dates. The information provided herein, except as otherwise noted, represents the asset and liability data of the Debtor as of the Petition Date.

Assets and Liabilities. The Debtor has excluded certain categories of assets and liabilities from the statements and schedules, such as goodwill, and other immaterial assets and liabilities also may have been excluded. Additionally, the Debtor's parent company has historically maintained its accounting records on a consolidated basis with its subsidiaries, and thus, even though management has made every effort to only address the assets and liabilities of the Debtor, the process of review of the intercompany accounts is ongoing and the information set for in the Schedules and Statements may need to be supplemented or amended in the future.

Schedule F - Creditors Holding Unsecured Nonpriority Claims. Schedule F does not include certain deferred charges, deferred liabilities or general reserves. Such amounts, however, may be reflected on the consolidated books and records as required in accordance with GAAP. Such accruals are general estimates of liabilities and do not represent specific claims as of the Petition Date. The claims listed in Schedule F arose or were incurred on various dates. While reasonable efforts have been made, determination of each date upon which each claim in Schedule F was incurred or arose would be unduly burdensome and cost prohibitive and, therefore, the Debtor does not list a date for each claim listed on Schedule F.

**United States Bankruptcy Court**  
SOUTHERN DISTRICT OF TEXAS

In re ALC, Inc.,

Debtor

Case No. 05-21888

**SUMMARY OF SCHEDULES**

Indicate as to each schedule whether that schedule is attached and state the number of pages in each. Report the totals from Schedules A, B, D, E, F, I, and J in the boxes provided. Add the amounts from Schedules A and B to determine the total amount of the debtor's assets. Add the amounts from Schedules D, E, and F to determine the total amount of the debtor's liabilities.

NAME OF SCHEDULE	ATTACHED (YES/NO)	NO. OF SHEETS	AMOUNTS SCHEDULED		
			ASSETS	LIABILITIES	OTHER
A - Real Property	NO	0	\$ 0.00		
B - Personal Property	YES	4	Undetermined		
C - Property Claimed As Exempt	NO	0			
D - Creditor Holding Secured Claims	NO	0		\$0.00	
E - Creditors Holding Unsecured Priority Claims	NO	0		\$0.00	
F - Creditors Holding Unsecured Nonpriority Claims	YES	1		Undetermined	
G - Executory Contracts and Unexpired Leases	NO	0			
H - Codebtors	YES	1			
I - Current Income of Individual Debtor(s)	NO	0			\$ 0.00
J - Current Expenditures of Individual Debtor(s)	NO	0			\$ 0.00
Total Number of Sheets in ALL Schedules		6			
		Total Assets	Undetermined		
			Total Liabilities	\$ 0.00	

### SCHEDULE B - PERSONAL PROPERTY

Except as directed below, list all personal property of the debtor of whatever kind. If the debtor has no property in one or more of the categories, place an "x" in the appropriate position in the column labeled "None." If additional space is needed in any category, attach a separate sheet properly identified with the case name, case number, and the number of the category. If the debtor is married, state whether husband, wife, or both own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor is an individual or a joint petition is filed, state the amount of any exemptions claimed only in Schedule C - Property Claimed as Exempt.

Do not include interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If the property is being held for the debtor by someone else, state that person's name and address under "Description and Location of Property." In providing the information requested in this schedule, do not include the name or address of a minor child. Simply state "a minor child."

TYPE OF PROPERTY	N O N E	DESCRIPTION AND LOCATION OF PROPERTY	H U S B A N D, W I F E, J O I N T, O R C O M M U N I T Y	C U R R E N T V A L U E O F D E B T O R S I N T E R E S T I N P R O P E R T Y, W I T H O U T D E D U C T I N G A N Y S E C U R E D C L A I M O R E X E M P T I O N
1. Cash on hand.	■			
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.	■			
3. Security deposits with public utilities, telephone companies, landlords, and others.	■			
4. Household goods and furnishings, including audio, video, and computer equipment.	■			
5. Books; pictures and other art objects; antiques; stamp, coin, record, tape, compact disc, and other collections or collectibles.	■			
6. Wearing apparel.	■			
7. Furs and jewelry.	■			
8. Firearms and sports, photographic, and other hobby equipment.	■			

TYPE OF PROPERTY	N O N E	DESCRIPTION AND LOCATION OF PROPERTY	H U S B A N D, W I F E, J O I N T, O R C O M M U N I T Y	CURRENT VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
<p>9. Interests in insurance policies, Name insurance company of each policy and itemize surrender or refund value of each.</p> <p>10. Annuities. Itemize and name each issuer.</p> <p>11. Interests in an education IRA as defined in 26 U.S.C. § 530(b)(1) or under a qualified State tuition plan as defined in 26 U.S.C. § 529(b)(1). Give particulars. (File separately the record(s) of any such interest(s). 11 U.S.C. § 521(c); Rule 1007(b)).</p> <p>12. Interest in IRA, ERISA, Keogh, or other pension or profit sharing plans. Give particulars.</p> <p>13. Stock and interest in incorporated and unincorporated businesses. Itemize.</p> <p>14. Interests in partnerships or joint ventures. Itemize.</p> <p>15. Government and corporate bonds and other negotiable and non-negotiable instruments.</p> <p>16. Accounts receivable.</p> <p>17. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars.</p> <p>18. Other liquidated debts owed to debtor including tax refunds. Give particulars.</p> <p>19. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule A - Real Property.</p>	<p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p>	<p>ASARCO LLC has insurance policies, which may cover some/all of its subsidiaries and which are listed in Exhibits B-9 and G-Insurance Contracts to the Schedules, as may be amended, filed under Case No. 05-21207. To the extent applicable, we disclose herein the Debtor's interest in those policies.</p>		<p>Undetermined</p>

TYPE OF PROPERTY	N O N E	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT, OR COMMUNITY	CURRENT VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
<p>20. Contingent and non-contingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust.</p> <p>21. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each.</p> <p>22. Patents, copyrights, and other intellectual property. Give particulars.</p> <p>23. Licenses, franchises, and other general intangibles. Give particulars.</p> <p>24. Customer lists or other compilations containing personally identifiable information (as defined in 11 U.S.C. § 101(41A)) provided to the debtor by individuals in connection with obtaining a product or service from the debtor primarily for personal, family, or household purposes.</p> <p>25. Automobiles, trucks, trailers, and other vehicles and accessories.</p> <p>26. Boats, motors, and accessories.</p> <p>27. Aircraft and accessories.</p> <p>28. Office equipment, furnishings, and supplies.</p> <p>29. Machinery, fixtures, equipment, and supplies used in business.</p> <p>30. Inventory.</p> <p>31. Animals.</p> <p>32. Crops - growing or harvested. Give particulars.</p>	<p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p>			

TYPE OF PROPERTY	N O N E	DESCRIPTION AND LOCATION OF PROPERTY	HUSBAND, WIFE, JOINT, OR COMMUNITY	CURRENT VALUE OF DEBTOR'S INTEREST IN PROPERTY, WITHOUT DEDUCTING ANY SECURED CLAIM OR EXEMPTION
33. Farming equipment and implements.	■			
34. Farm supplies, chemicals, and feed.	■			
35. Other personal property of any kind not already listed. Itemize.	■			
Total >				\$ Undetermined

## SCHEDULE F - CREDITORS HOLDING UNSECURED NONPRIORITY CLAIMS

State the name, mailing address, including zip code, and account number, if any, of all entities holding unsecured claims without priority against the debtor or the property of the debtor, as of the date of filing of the petition. Do not include claims listed in Schedules D and E. If all creditors will not fit on this page, use the continuation sheet provided.

If any entity other than a spouse in a joint case may be jointly liable on a claim, place an "X" in the column labeled "Codebtor", include the entity on the appropriate schedule of creditors, and complete Schedule H - Codebtors. If a joint petition is filed, state whether husband, wife, both of them, or the marital community may be liable on each claim by placing an "H", "W", "J", or "C" in the column labeled "Husband, Wife, Joint, or Community."

If the claim is contingent, place an "X" in the column labeled "Contingent". If the claim is unliquidated, place an "X" in the column labeled "Unliquidated". If the claim is disputed, place an "X" in the column labeled "Disputed". (You may need to place an "X" in more than one of these three columns.)

Report the total of all claims listed on this schedule in the box labeled "Total" on the last sheet of the completed schedule. Report this total also on the Summary of Schedules.

Check this box if debtor has no creditors holding unsecured non-priority claims to report on this Schedule F.

CREDITOR'S NAME AND MAILING ADDRESS INCLUDING ZIP CODE	CODEBTOR	HUSBAND, WIFE, JOINT OR COMMUNITY	DATE CLAIM WAS INCURRED AND CONSIDERATION FOR CLAIM, IF CLAIM IS SUBJECT TO SETOFF, SO STATE	CONTINGENT	UNLIQUIDATED	DISPUTED	AMOUNT OF CLAIM
Pension Benefit Guaranty Corporation 1200 K. Street, N.W., Suite 310 Washington, DC 20005-4026	X		Employee Pension Benefits	X	X	X	Undetermined
<b>Total ▶</b>							Undetermined



### SCHEDULE H - CODEBTORS

Provide the information requested concerning any person or entity, other than a spouse in a joint case, that is also liable on any debts listed by debtor in the schedules of creditors. Include all guarantors and co-signers. In community property states, a married debtor not filing a joint case should report the name and address of the nondebtor spouse on this schedule. Include all names used by the nondebtor spouse during the six years immediately preceding the commencement of this case.

Check this box if debtor has no codebtors.

NAME AND ADDRESS OF CODEBTOR	NAME AND ADDRESS OF CREDITOR
Asarco LLC 1150 North 7th Avenue Tucson, Arizona 85705-6606	Pension Benefit Guaranty Corporation 1200 K. Street, N.W., Suite 310 Washington, DC 20005-4026

In re ALC, Inc.,  
Debtor

Case No. 05-21888

### DECLARATION CONCERNING DEBTOR'S SCHEDULES

#### DECLARATION UNDER PENALTY OF PERJURY BY INDIVIDUAL DEBTOR

I declare under penalty of perjury that I have read the foregoing summary and schedules, consisting of \_\_\_\_\_ sheets (total shows on summary page plus 1), and that they are true and correct to the best of my knowledge, information, and belief.

Date \_\_\_\_\_

Signature \_\_\_\_\_  
Debtor

Date \_\_\_\_\_

Signature \_\_\_\_\_  
(Joint Debtor, if any)  
[If joint case, both spouses must sign]

#### CERTIFICATION AND SIGNATURE OF NON-ATTORNEY BANKRUPTCY PETITION PREPARER (Sec 11 U.S.C. §110)

I certify that I am a bankruptcy petition preparer as defined in 11 U.S.C. §110, that I prepared this document for compensation, and that I have provided the debtor with a copy of this document.

Printed or Typed Name of Bankruptcy  
Petition Preparer \_\_\_\_\_

Social Security No. \_\_\_\_\_

Address \_\_\_\_\_

Names and Social Security numbers of all other individuals who prepared or assisted in preparing this document:

If more than one person prepared this document, attach additional signed sheets conforming to the appropriate Official Form for each person.

X  
Signature of Bankruptcy Petition Preparer \_\_\_\_\_

Date \_\_\_\_\_

*A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both. 11 U.S.C. §110; 18 U.S.C. §156.*

#### DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP

I, the Vice President [the president or other officer or an authorized agent of the corporation or a member or an authorized agent of the partnership] of ALC, Inc. [corporation or partnership] named as debtor in this case, declare under penalty of perjury that I have read the foregoing summary and schedules, consisting of 7 sheets (total shows on summary page plus 1), and that they are true and correct to the best of my knowledge, information, and belief.

Date 12/29/05

Signature: Thomas L. Aldrich

Thomas L. Aldrich  
[Print or type name of individual  
signing on behalf of debtor]

[An individual signing on behalf of a partnership or corporation must indicate position or relationship to debtor.]