

# SECURITIES AND EXCHANGE COMMISSION

## FORM SC 14D9/A

Tender offer solicitation / recommendation statements filed under Rule 14d-9 [amend]

Filing Date: **1999-09-10**  
SEC Accession No. **0000950130-99-005217**

([HTML Version](#) on [secdatabase.com](#))

### SUBJECT COMPANY

#### ASARCO INC

CIK: **7649** | IRS No.: **134924440** | State of Incorpor.: **NJ** | Fiscal Year End: **1231**  
Type: **SC 14D9/A** | Act: **34** | File No.: **005-31638** | Film No.: **99709817**  
SIC: **3330** Primary smelting & refining of nonferrous metals

Business Address  
*180 MAIDEN LN  
NEW YORK NY 10038  
2125102000*

### FILED BY

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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SCHEDULE 14D-9/A  
(Amendment No. 1)

SOLICITATION/RECOMMENDATION STATEMENT  
PURSUANT TO SECTION 14(D) (4) OF THE  
SECURITIES EXCHANGE ACT OF 1934

-----  
ASARCO Incorporated  
(Name of Subject Company)

ASARCO Incorporated  
(Name of Person(s) Filing Statement)

Common Stock, No Par Value Per Share  
(Title of Class of Securities)

043413103  
(CUSIP Number of Class of Securities)

Francis R. McAllister  
Chairman and Chief Executive Officer  
ASARCO Incorporated  
180 Maiden Lane  
New York, New York 10038  
(212) 510-2000

(Name, address and telephone number of person  
authorized to receive notice and communications on  
behalf of the person(s) filing statement).

With Copies to:  
J. Michael Schell  
Margaret L. Wolff  
Skadden, Arps, Slate, Meagher & Flom LLP  
919 Third Avenue  
New York, New York 10022  
(212) 735-3000

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This Amendment No. 1 to the Solicitation/Recommendation Statement on Schedule 14D-9 relates to the exchange offer for all of the outstanding shares of ASARCO Common Stock which is described in a Tender Offer Statement on Schedule 14D-1 of Phelps Dodge Corporation, a New York corporation ("Phelps Dodge"), filed with the Securities and Exchange Commission on September 3, 1999, which incorporates the prospectus of Phelps Dodge contained in the Registration Statement on Form S-4 of Phelps Dodge filed with the Commission on August 27, 1999, as amended by Amendment No. 1 thereto filed with the Commission on September 1, 1999 and Amendment No. 2 thereto filed with the Commission on September 2, 1999.

Item 9 Material to be Filed as Exhibits.

Item 9 is hereby amended and supplemented by adding the following Exhibits:

Exhibit 18. Letter to Stockholders of ASARCO and Cyprus Amax.

Exhibit 19. Investor Presentation of ASARCO and Cyprus Amax.

Exhibit 20. Advertisement published in The New York Times on September 10, 1999.

2

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

ASARCO INCORPORATED

By /s/ Francis R. McAllister

-----  
Name: Francis R. McAllister  
Title: Chairman and  
Chief Executive Officer

Dated: September 10, 1999



AN IMPORTANT MESSAGE

THE ASARCO CYPRUS MERGER:  
THE ONLY TRANSACTION THAT YOU CAN COUNT ON  
TO DELIVER VALUE

Dear Cyprus Amax and Asarco Shareholders:

The Boards of Directors of Cyprus Amax and Asarco unanimously recommend that shareholders VOTE FOR the proposed merger of Cyprus Amax and Asarco on September 30. The Boards and managements of both companies are convinced that only this transaction delivers to you a fair share of the value of combining our two companies. The Boards, assisted by their independent financial and legal advisors, thoroughly reviewed Phelps Dodge's exchange offers and determined they are inadequate and not in the best interests of Cyprus Amax and Asarco shareholders. The full details of these determinations are contained in the Schedule 14D-9 which is being mailed to you separately.

In recommending the Asarco Cyprus merger, the Boards view shareholders as having the opportunity:

- . To be the owners of the largest publicly-traded copper company in the world with an estimated cash cost of 50 cents per pound;
- . To benefit from 100% of an estimated \$275 million of annual savings achievable from our combination;
- . To receive an immediate special cash payment of \$5.00 per Asarco Cyprus share, following completion of the proposed merger on September 30.

In short, the new Asarco Cyprus will be a premier copper investment.

In the 3-way deal proposed by Phelps Dodge, we believe Asarco Cyprus would bring:

.57% of production	.60% of the copper margin
.61% of reserves	.92% of the synergies
.Lower cash costs	.91% of the cash
.4 of the 5 lowest cost mines	

In sharp contrast, Phelps Dodge wants to take a substantial percentage of your value for its own shareholders, giving Asarco Cyprus shareholders only 43% ownership of the 3-way enterprise

Phelps Dodge calls the Asarco Cyprus offer requesting an ownership interest of just 50% of the value "unreasonable." We disagree, it is eminently fair.

Phelps Dodge is trying to coerce Cyprus Amax and Asarco shareholders into doing a transaction that is not in your best interests. It is unwilling to give you fair value. It is unwilling to commit to doing a transaction if shareholders approve the Asarco Cyprus merger on September 30. And it is unwilling to present you with a competitive deal ready for completion.

Compare the certainties of the proposed Asarco Cyprus merger with the uncertainties of Phelps Dodge's offer:

Asarco Cyprus

Phelps Dodge

- |   |  |
|---|--|
| . September 30 shareholder vote                   | . No Phelps Dodge shareholder vote by September 30 |
| . All regulatory consents obtained                | . Unknown closing date, if ever                    |
| . Fully negotiated and effective merger agreement | . Uncertain timing of antitrust clearance          |
|   | . Exchange offer is subject to numerous conditions |
|   | . No form of merger agreement proposed             |

The only transaction Cyprus Amax and Asarco shareholders can count on to realize value is the Asarco Cyprus merger. The only transaction Cyprus Amax and Asarco shareholders can count on to be completed by September 30 is the Asarco Cyprus merger.

Cyprus Amax and Asarco shareholders need not be stampeded by Phelps Dodge or its self-serving agenda.

VOTE FOR the Asarco Cyprus merger on September 30. Despite what Phelps Dodge would like you to believe, it is the only transaction you can count on.

To VOTE FOR the Asarco Cyprus merger transaction, please sign and return the WHITE proxy card.

On behalf of the Boards of Directors and all of us at Cyprus Amax and Asarco, we thank you for your support.

Sincerely,

/s/ Francis R. McAllister  
Francis R. McAllister,  
Chairman and Chief Executive Officer  
ASARCO Incorporated

/s/ Milton H. Ward  
Milton H. Ward,  
Chairman, Chief Executive Officer and  
President  
Cyprus Amax Minerals Company

-----  
-----  
IMPORTANT

If you need assistance or information, please call our proxy solicitors:

Asarco Shareholders:

Cyprus Amax Shareholders:

[LOGO]  
MORROW & CO. INC.

[LOGO]  
GEORGESON  
SHAREHOLDER  
COMMUNICATIONS INC

at (800) 662-5200

at (800) 223-2064

ASARCO Incorporated

[LOGO] CYPRUS AMAX  
Minerals Company

[PHOTOGRAPH OF TOQUEPALA]

Toquepala

[PHOTOGRAPH OF EL ABRA]

El Abra

INVESTOR

PRESENTATION

September 1999

[PHOTOGRAPH OF CUAJONE]

Cuajone

[PHOTOGRAPH OF CERRO VERDE]

Cerro Verde

ASARCO CYPRUS MERGER

- . Merger of Equals
- . Exchange of Shares
  - 0.765 Share of Asarco Cyprus for Each Cyprus Amax Share
  - 1.000 Share of Asarco Cyprus for Each Asarco Share
- . Post Merger Ownership
  - Cyprus Amax Common Shareholders Own 63.5%
  - Asarco Shareholders Own 36.5%
- . Cash Payment of \$5.00 Per Asarco Cyprus Share After Closing
- . Shareholder Vote September 30
- .



## ASARCO CYPRUS MERGER

- . \$5.00 Cash Payment to Shareholders on Completion of Merger
  - Immediate Value to Shareholders
  - Focuses Attention on Underlying Value of Merger
- . Drop Takeover Defenses - 90 Days Post Merger
  - Disarm Rights Plan
  - No Change in Control in New Employment Contracts
- . Pursue Sale of Non-Core Businesses - \$1 Billion Value Including:
  - Specialty Chemical Business
  - Kinross Gold
  - Australian Coal
- . Confident of Achieving \$275 Million in Synergies/Rationalization Benefits

## RE-RATING OF ASARCO CYPRUS

	Asarco Cyprus -----	Phelps Dodge -----
Market Capitalization*	\$2.4 Billion	\$3.5 Billion
Pounds of Production	2.0 Billion	1.6 Billion
Equity Value Per		
Pound Produced	\$1.17	\$2.24

- Opportunity For Re-Rating of Asarco Cyprus
- Asarco Cyprus Merger Provides Greater Potential for Growth in Shareholder Value

\* Common Stock Price As of 8/20/99

ASARCO CYPRUS VS. PHELPS DODGE

(Selected Statistics)	Asarco Cyprus -----	Phelps Dodge -----	AC share of AC & PD -----
1999 (E) Production (Million Lbs.)	2,055	1,551	57%
12/98 Copper Reserves (Billion Lbs.)	62	40	61%
Cash Costs (cents/Lb.)	0.50	0.54	55%
Low Cost Mines	4	1	80%
Copper Margin (@ 80cents) (\$ Millions)	617	403	60%
Synergies (\$ Millions)	275	300	92%
Cash	\$1.4 B	\$144 M	91%

5

Beneficial Copper Production Cash Cost Profile

[Bar graph depicting beneficial copper production cash cost profile, with figures approximated, for Cyprus Amax: El Abra (cash cost: 37 cents per pound; copper production: .250 billion pounds), Cerro Verde (48 cents; .100 billion pounds), Bagdad (67 cents; .225 billion pounds), Miami (68 cents; .190 billion pounds), Sierrita (71 cents; .250 billion pounds); for Asarco: Silver Bell (49 cents; .025 billion pounds), SPCC (51 cents; .500 billion pounds), MRI (70 cents; .035 billion pounds), Mission (73 cents; .250 billion pounds), Ray (74 cents; .260 billion pounds); for Phelps Dodge: Candelaria (50 cents; .325 billion pounds), Morenci (55 cents; .900 billion pounds), Chino (63 cents; .200 billion pounds), Tyrone (64 cents; .200 billion pounds). Measured in cash cost (cents per pound) against copper production (billion pounds).]

Source: Phelps Dodge - Brook Hunt, modified 1999 EST

6

MERGER COST SAVINGS PROJECTIONS

(\$ millions, except per share)

	Asarco Cyprus -----	Phelps Dodge -----
Administration	\$ 50	\$ 85
Purchasing/Operations	50	60
Other	25	55
Rationalization	75	75
	-----	-----
Subtotal Cash	200	275
Exploration Adjustment	-	(40)
	-----	-----
Adjusted Cash	200	235
Accounting Benefit	75*	65
	-----	-----
Total Pretax	275	300
Contribution	92%	8%
Per Share (after tax)	\$1.85	

Anticipated Market Value Impact (\$/Share)      \$11.33 - \$13.76

\*Based on Stock Price of \$18.00 (AR) at Proxy Date (8/20/99)

7

#### COST SAVING ACTIONS

Examples of Cost Savings	(In Millions)
Administration	\$50.0
Consolidate Offices	
Eliminate 170 Positions	
Eliminate Duplicate Expenses	
Eliminate Exploration Duplicate Activities	
Purchasing	50.0
Leverage Commodity Purchases	
Reduce Warehouse Inventory	
Logistics	

Operating Best Practices	25.0 +
Haul Truck Load Factor Optimization	
Cascade Leaching	
In-House Fabrication of Starter Sheets	
Converter Maintenance and Scheduling	
Minimization of Revert Generation	
Crusher Maintenance and Practices	
Throughput and Recovery Optimization	
Rationalization	75.0
Mine Plan Changes at Mission and Ray	

8

#### HISTORICAL TRADING VALUES OF SELECTED COPPER EQUITIES

[Chart depicting relative trading values of Cyprus Amax, ASARCO, and Phelps Dodge, during the period between January 1 and July 14. Base value assumption: Cyprus - 10.000; Asarco - 15.125; Phelps - 50.875.]

9

#### HISTORICAL TRADING VALUES OF SELECTED COPPER EQUITIES

[Chart depicting relative trading values of Cyprus Amax, ASARCO, and Phelps Dodge, during the period between July 14 and August 19. Base value assumption: Cyprus - 13.938; ASARCO - 19.000; Phelps - 66.438.]

10

#### ASARCO CYPRUS REDUCED CASH COSTS

[Bar graph depicting cash costs, measured by cents per pound, for each of Cyprus Amax and Asarco for 1996 (72 cents for Cyprus Amax, 69 cents for Asarco), 1997 (63 cents for Cyprus Amax, 69 cents for Asarco), 1998 (56 cents for Cyprus Amax, 64 cents for Asarco), and 1999(E) (50 cents for Cyprus Amax, 60 cents for Asarco), and for Asarco Cyprus combined for 2001(E) (50 cents).]

11

ASARCO CYPRUS MERGER

- . World's Largest Publicly Traded Copper Company
- . Strong Management
- . Global Presence With Portfolio of World Class Properties
- . Low Costs With Excellent Potential For Additional Reductions
- . Accretive to Shareholders
- . \$875 Million in Cash and \$1 Billion Plus in Other Sources of Liquidity
- . Pipeline of Growth Projects
- . Increased Shareholder Liquidity

12

ASARCO CYPRUS MERGER

- . Asarco Cyprus Merger Creates Greater Value Opportunity for Shareholders
- . Merger Captures Benefits and Provides Immediate Value
- . Merger is Best Value for Asarco and Cyprus Shareholders
- . Moving Ahead With Merger
- . Expect Equity Market to Re-Rate Share Price

13

ASARCO CYPRUS - WORLD LEADER IN COPPER

-----  
Contained Copper Reserves - 12/31/98  
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[Bar graph depicting, at 12/31/98, contained copper reserves, measured in billion pounds for CYM & AR (62), Rio Tinto (56), BHP Copper (55),

-----  
1998 Copper Beneficial Production  
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[Bar graph depicting 1998 copper beneficial production, measured in million pounds, for CYM & AR (1968), BHP Copper (1929), Rio

FCX (49), Phelps (40), GM (39),  
AR (37), Antofagasta (28), SPC (26),  
CYM (25), Rio Algoim (12), MIM (9).]

Tinto (1792), Phelps (1748), FCX  
(1479), AR (1025), CYM (965), MIM  
(784), GM (760), SPC (666),  
Antofagasta (563), Rio Algoim  
(379).]

Source: Brook Hunt

14

ASARCO Incorporated

[LOGO] CYPRUS AMAX  
Minerals Company

### Additional Information

#### MERGER OBJECTIVES

- . Become Low Cost Copper Producer:  
\$0.50 Per Pound Cash Cost
- Earnings Breakeven: Less Than \$0.65 Per Pound Copper Price
- Generate Substantial Cash Flow
  - . \$750 Million EBITDA (\$0.80 Copper, \$3.00 Molybdenum) After Sale of  
Non-Core Businesses

16

#### MERGER OBJECTIVES

- . \$275 Million (\$1.85/share) in Annual Synergies, Cost Savings, and  
Rationalization Benefits
- Obtain Significant Operating Efficiencies
- Achieve Purchasing Savings
- Reduce Administrative Costs Through Consolidation and Closures

- Employ Best Practices of Two Strong Operators
  - . Quest 21 / AMS Process Management Systems
- Retain Strongest Managers

17

#### MERGER OBJECTIVES

- . \$275 Million (\$1.85/share) in Annual Synergies, Cost Savings, and Rationalization Benefits
  - Cash Cost Savings to Generate \$125 Million Annually (\$0.84/Share by 2001)
  - Benefits of Purchase Accounting to Generate \$75 million Annually (\$0.50/share)
  - Cost Savings of \$75 Million From Production Rationalization During Periods of Low Prices
  - Maintain Limited Exploration Program

18

#### MERGER OBJECTIVES

- . Enhance Liquidity and Financial Flexibility
  - Cash of \$875 Million After \$5.00 Per Share Cash Payment
  - Net Debt to Capital of 41.3% (net of cash)
  - Sale of Non-Core Businesses - \$1 Billion Value
  - Net Debt to Capital of 25.5% (net of cash) After Sales
- . Realize Immediate Value for Shareholders
  - Earnings and Cash Flow Accretive
  - Increase Trading Liquidity
  - Synergies Should Cause Market Re-Rating of Asarco Cyprus Shares
- . Asarco and Cyprus Shareholders Realize 100% of Synergy Benefits

19

## VALUE OF SYNERGIES

- .  
.
- . Merger Gives Asarco and Cyprus Shareholders 100% of Synergies
- .  
.
- . Phelps Dodge Proposal Takes 57% of Synergies for Their Shareholders

20

## MERGER OBJECTIVES

- . Become the World's Largest Publicly-Traded Copper Company
- .
  - Highly Focused, High Quality Copper/Moly Producer
  - 2 Billion Pounds of Annual Copper Production
  - 62 Billion Pounds of Reserves
  - World's Largest Molybdenum Producer
  - Significant Inventory of Future Development Projects

21

## NORTH AMERICAN OPERATIONS

[Map of United States and more detailed map of Arizona, indicating locations of mines, smelters, and refineries.]

22

## SOUTH AMERICA OPERATIONS

[Map of South America and more detailed map of Peru and Chile, indicating locations of mines, smelters, and refineries.]

23



## 1998 COMBINED MINE PRODUCTION

In Millions of Lbs.

	Sulfide	SX-EW	Total
	-----	-----	-----
North America	919	362	1,281
South America	300	387	687
	---	---	---
Total	1,219	749	1,968

24

## ASARCO CYPRUS MANAGEMENT

### . Key Cyprus Amax Achievements

- Implemented Quest 21
- Lowered Copper Costs by 21 cents Per Pound
- Reduced Employment at Continuing Operations by 28%
- Increased Production Per Employee by 44%
- Consolidated Moly Operations
- Focused Strategy: Sold Lithium and Coal; Merged Amax Gold
- Successful Development and Startups of El Abra, Cerro Verde
- Reduced Corporate Overhead Expense by 35%
- Transformed from Coal Company to Focused Low Cost Metals Company

25

## ASARCO CYPRUS MANAGEMENT

### . Focused Strategy to Realize Shareholder Value

. Key Asarco Achievements

- Expanded Low Cost SX-EW - SPCC, Silver Bell, Ray
- Expanded Low Cost Sulfide - SPCC, Cuajone
- Acquired Controlling Interest in Low Cost SPCC
- Reduced Cash Cost \$0.14 per pound
- Assets Disposals of \$825 Million
- Implemented AMS Process Management System
- Transformed From Custom Smelter and Refiner to Focused Low Cost Copper and Specialty Chemicals Company

26

ASARCO Incorporated

[LOGO] CYPRUS AMAX  
Minerals Company

Financial Profile

ASARCO CYPRUS BALANCE SHEET

(In millions)

	Pro-Forma \$5 Cash Payment -----	Pro-Forma for Asset Sales -----
Total Assets	\$7,624	\$7,592
Total Cash and Marketable Securities	878	1,878
Total Debt and Capital Lease Obligations	2,863	2,863
Total Shareholders' Equity	2,262	2,329
Book Value Per Common Share	\$18.61	\$19.22

Total Debt to Capital	50.4%	49.8%
Total Debt to Capital, Net of Cash	41.3%	25.5%

28

#### ASARCO CYPRUS NON-COPPER ASSET VALUES

Specialty Chemicals

Cyprus Australia Coal

Kinross Gold (30% Interest)

Grupo Mexico Shares (\$79 Million Value)

Other Non-Core Assets

Estimated Value - \$1 Billion Plus

29

#### ASARCO CYPRUS CAPITAL EXPENDITURES

[Bar graph depicting Asarco Cyprus Capital Expenditures, in millions of dollars, excluding SPCC, for 1997 (529), 1998(340), 1999(E) (303), 2000(E) (257).]

- . Major Projects Completed
- . Capital Requirements at Reasonable Levels Going Forward

30

#### SOUTHERN PERU CAPITAL EXPENDITURES

[Bar graph depicting Southern Peru Capital Expenditures,

in millions of dollars, for 1997(184), 1998(259),  
1999(E) (255), 2000(E) (276).]

. Financing in Place

[ASARCO Logo]

[Cyprus Amax Minerals Company Logo]

ATTENTION ASARCO AND CYPRUS AMAX SHAREHOLDERS:

THE ASARCO CYPRUS MERGER:  
THE ONLY DEAL YOU CAN COUNT ON  
TO DELIVER VALUE

The proposed Asarco Cyprus merger is the only transaction that you can count on  
-----  
to deliver value. It is the only transaction that you can count on to be  
-----  
completed.

Phelps Dodge wants you to give up much of what you would realize in an Asarco Cyprus merger to Phelps Dodge's shareholders through Phelps Dodge's unsolicited hostile exchange offers. And, Phelps Dodge can't even assure you that it can complete its transaction.

Compare the certainties of the proposed Asarco Cyprus merger with the uncertainties of Phelps Dodge:

&lt;TABLE&gt;

&lt;CAPTION&gt;

ASARCO CYPRUS

PHELPS DODGE

&lt;S&gt;

- . September 30 shareholder vote
- . All regulatory consents obtained
- . Fully negotiated and effective merger agreement

&lt;C&gt;

- . No Phelps Dodge shareholder vote by September 30
- . Uncertain timing of antitrust clearance
- . Exchange offer subject to numerous conditions
- . Unknown closing date, if ever
- . No form of merger agreement proposed

&lt;/TABLE&gt;

Ask yourself:

1. Why has Phelps Dodge not accepted Asarco Cyprus' terms of August 25, 1999?

Is it because Phelps Dodge does not want to give Asarco and Cyprus Amax shareholders a fair ownership interest in the enterprise based upon their contribution?

2. Why is Phelps Dodge threatening to walk away if shareholders vote in favor of the transaction?

Is it because they don't want to pay for your fair share of the value

created by the Asarco Cyprus merger?

3. Why is Phelps Dodge bringing lawsuits in New Jersey and Delaware to prevent shareholders from voting on the Asarco Cyprus deal?

Is it because they are unprepared to present you with a competitive deal ready for completion?

Asarco and Cyprus Amax shareholders need not be stampeded  
by Phelps Dodge's self-serving agenda.

Shareholder approval of the Asarco Cyprus merger on September 30 means you will:

- . Receive an immediate cash payment of \$5.00 per share
- . Be the owners of the largest publicly-traded copper company in the world with an estimated cash cost of 50 cents per pound
- . Benefit from 100% of an estimated \$275 million of annual savings achievable from our combination

VOTE FOR THE PROPOSED ASARCO CYPRUS TRANSACTION ON SEPTEMBER 30

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Despite what Phelps Dodge would like you to believe:

It is the only transaction you can count on.

We urge you to sign, date and mail the WHITE proxy card today.

-----

/s/ Francis R. McAllister  
Francis R. McAllister  
Chairman and Chief Executive Officer  
ASARCO Incorporated

/s/ Milton H. Ward  
Milton H. Ward  
Chairman, Chief Executive  
Officer and President  
Cyprus Amax Minerals Company

IMPORTANT

If you need assistance or information, please call our proxy solicitors:

Asarco Shareholders:  
MORROW & CO., INC.  
at (800) 662-5200  
or CHRIS SCHULTZ, Treasurer, Asarco  
at (212) 510-2329

Cyprus Amax Shareholders:  
GEORGESON SHAREHOLDER  
COMMUNICATIONS INC.  
at (800) 223-2064  
or JOHN TARABA, VP and Controller,  
Cyprus Amax  
at (303) 643-5244