



FREEPORT-McMoRAN

REQUEST FOR EXPRESSION OF INTEREST

BAGDAD EMPLOYEES HOUSING DEVELOPMENT

10/31/2018

**DUE: 5:00 PM
12/20/2018**

Pre-Submittal Meetings: 11/13/2018 & 11/14/2018

Deadline for Inquiries: 5:00 PM, 11/23/2018

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1.0 INTRODUCTION

Freeport-McMoRan Bagdad Inc. (FMBI) is requesting Expressions of Interest (EOIs) from entities that may be interested in providing housing products to our present and potential future expanded workforce.

The purpose of this Request for Expressions of Interest (REOI) is to assist FMBI in determining its approach to providing housing to up to 100 current employees and potentially an additional 800 new employees associated with its Bagdad mine operations.

FMBI wants to understand the views developers have regarding risks and uncertainties associated with developing private housing units for present and future employees.

2.0 PURPOSE OF THE REQUEST FOR EXPRESSION OF INTEREST (REOI)

2.1 INTENT

As more fully detailed in subsequent sections below, FMBI is evaluating an expansion at their Bagdad mine operations that could add up to 800 new positions to the Bagdad workforce. Accordingly, a similar number of housing units will be needed to support the expanded operation. It is the intent of FMBI to determine the feasibility of having private sector resources provide the vast majority of the required new housing units within a reasonable commute distance to the Town of Bagdad. To deem housing units outside of the Town of Bagdad feasible, FMBI is working to understand if private sector resources:

- Have the ability and desire to create several hundred housing units within the timeframe required (expanded mine operations programmed to start in 2024)
- Can provide housing units that are going to make the FMBI employee decision to live outside the Town of Bagdad sustainable over the long term:
 - Within a maximum of 60 minutes commute time to Bagdad
 - Connections to others and amenities
 - Feel settled working for the Bagdad mine operation

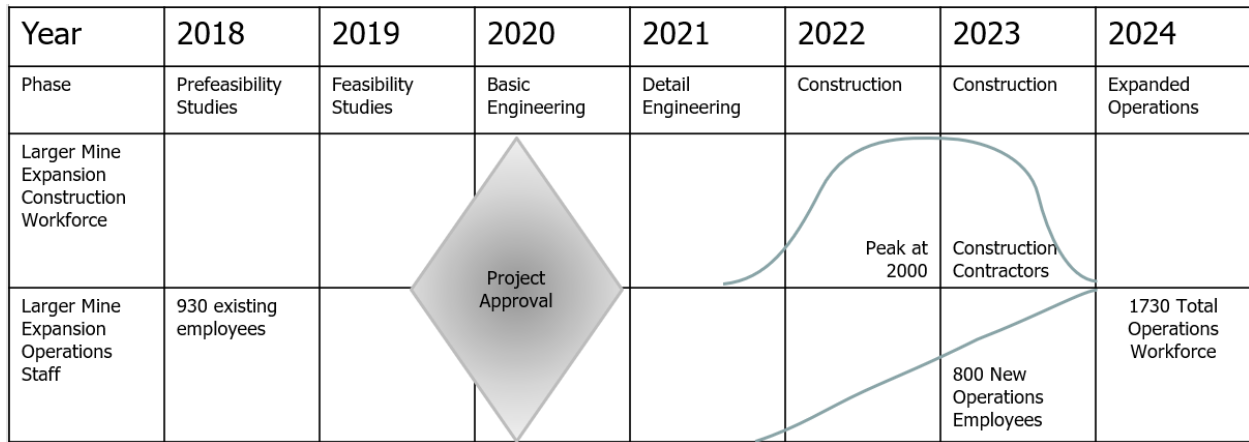
FMBI is looking for one or more entities to work with to facilitate a mutually beneficial relationship that would provide customers for the entities' products while substantially or completely eliminating the need for FMBI to build additional housing in Bagdad. At present Bagdad and all employee housing is owned and managed by FMBI. Through this REOI process FMBI desires to be able to assign a level of certainty that current and future employees at Bagdad will select the option of living outside Bagdad. Secondly, to obtain a high level of certainty, determine what, if any, of the following are required:

- Incentive payment(s) to FMBI employees to obtain private housing outside Bagdad
- Special interim or permanent financial support to entities that will provide the housing units

It is also anticipated that 2,000 temporary workers will be required to construct and install the expanded mine facilities over a three-year period (2021 – 2023). Should entities desire to propose potential temporary workforce housing solutions those would be considered. Temporary workforce housing solutions could be in the form of temporary or permanent RV Parks, camp grounds, turn-key man camps, home rentals, etc.

Associated with the temporary workers could be opportunities that are synergistic with the permanent workforce housing needs. What may be permanent for rent or for sale employee housing ultimately, could initially be temporary workforce rental housing.

The graphic below shows the current workforce and anticipated workforce (both temporary and permanent) to support the mine expansion being evaluated along with the current anticipated schedule.



2.2 BACKGROUND INFORMATION

Existing Situation

Bagdad is one of the few remaining true company towns in the Southwest United States. Bagdad, an unincorporated community of about 2,600, is wholly-owned and operated by the Freeport-McMoRan mining company. Bagdad is a vibrant historic mining community and is identified as a strategic asset for future growth. It is located in the high desert of central Arizona approximately 100 miles northwest of Phoenix, and 60 miles west of Prescott.

As a company town, FMRI ownership includes the majority of the land within the town site footprint, most housing units, and the majority of all buildings. Residents pay rent and all utilities except water. The town’s only grocery store, Bashas’, rents space in a building owned by the mine along with other small businesses and the post office. Although small, Bagdad does offer most essential services. There’s a full-time fire department, a K-12 public school, preschool and daycare; gym, library, golf course, outdoor and indoor pool and a medical clinic facility. All streets and utilities are owned, operated and maintained by a public works group that are employees of the Bagdad mine.

The Bagdad mine has been in large-scale production since 1976. The town currently has approximately 800 residential units, which includes a trailer park two miles northeast of town consisting of approximately 150 units. The town also has 2 RV parks, with a capacity of 140 units. Housing in Bagdad itself consists primarily of traditional three-bedroom family homes with the remainder being almost evenly split between larger four-bedroom homes and smaller single occupancy units. All residential homes occupy lots that range from approximately 5,000 S.F. to approximately 15,000 S.F. At any particular time, there are approximately 100 employees on the housing waiting list. In addition, employee surveys indicate a number of current employees are interested in moving out of Bagdad with a company incentive.

Potential Situation

FMBI is evaluating the feasibility of expanding the production capacity of its Bagdad, Arizona mine. The potential expansion could add up to 800 new positions to the existing 930 permanent positions at the mine. As outlined above, the vast majority of current employees and contractors live in company provided housing in the Town of Bagdad – with a housing wait list of approximately 100. 10% of employees already voluntarily chose to live outside of Bagdad.

Should the expansion be approved and implemented, this will greatly increase the need for housing beyond the 100 employees on the housing wait list. Fully 900 – 1,000 employees and contractors will be needing housing.

As part of the mine expansion feasibility evaluation, FMBI conducted a survey of current employees to gauge their interest in relocating outside the Town of Bagdad. Below are the questions and responses that related to the portion of the survey that addressed moving outside of Bagdad.

There were 122 responses to the survey.

Question 1: Would you consider buying a home in the vicinity of the Bagdad mine versus renting company housing in Bagdad?

- 14 (11%) of the participants were not interested or did not respond to purchasing housing outside of Bagdad company housing.
- a. If yes, what is the maximum commute time that would be acceptable?**
 - i. 30 minutes – 42% (51)
 - ii. 45 minutes – 19% (23)
 - iii. 60 minutes – 15% (18)
 - iv. More than an hour – 13% (16)
- b. If yes, what type of housing would be preferred to purchase?**
 - i. Detached single family home – 71% (89)
 - ii. Townhouse – 6% (8)
 - iii. Condominium – 3% (4)
 - iv. Other – 9% (11)

- c. If yes, what is the maximum price that would be feasible for you to purchase?**
- i. Less than \$150,000 - 6% (7)
 - ii. \$150,000 - \$200,000 – 22% (27)
 - iii. \$200,000 - \$250,000 – 25% (31)
 - iv. Greater than \$300,000 – 21% (26)
 - v. No answer – 25% (31)
- d. Where would be your preferred location?**
- i. Wickenburg – 9% (20)
 - ii. Prescott – 17% (37)
 - iii. Yarnell – 6% (14)
 - iv. Congress – 6% (14)
 - v. Hillside – 11% (24)
 - vi. Highway 97 – 26% (56)
 - vii. Santa Maria – 16% (35)
 - viii. No answer or other – 7% (16)
- Those that answered typically selected more than one location
- e. What can FMBI do to facilitate your decision to purchase housing in the vicinity of the Bagdad mine?**
- a. The most common responses:
 - i. Financial assistance, which included buyouts, down payment assistance and help with financing, low-interest loans, increase in pay or per diem
 - ii. Shuttle service and better roads
 - iii. Quality of homes and option to purchase land with home
- f. If not considering buying a home, why?**
- a. The most common responses:
 - i. Being unable to resell house if needed – people move too frequently due to company need/market prices and some don't intend on staying in Bagdad
 - ii. Cost of living in Bagdad is low
 - iii. Commute
 - iv. Others were uninterested in buy because they have homes elsewhere

Regarding response to Question 1.e.a.i, Freeport McMoRan has offered employees incentives in the past at both Bagdad and Morenci. The incentives were \$10,000 and responses to move out of Bagdad and Morenci met the goals of Freeport McMoRan at the time. Knowledge of past cash incentives is likely the basis for the employee response in the recent survey.

FMBI has an Housing Office to assist new employees with their housing options. Should FMBI, in concert with selected/preferred private housing entities, offer incentives to employees for off-site housing, those options, discounts or special deals would be reviewed with employees by FMBI representatives from the Housing Office. The Housing Office, in its role to educate employees regarding their options, would direct employees to the selected housing partners.

It is important to note that the survey results above are from existing FMBI employees. Should the mine expansion project be implemented, up to 800 new employees will be drawn to the greater Bagdad vicinity. Those employees will not have the bias of or preference for living in the Town of Bagdad. They will be making housing choices based on factors unique to each employee – but without any direct experience with previous housing practices in Bagdad.

In summary, given the current wait list, potential new employees, and obsolete housing stock in Bagdad, up to 1,000 housing units outside of Bagdad will be needed.

The current key schedule milestones for the proposed mine expansion include:

- On-going Feasibility Analysis: Now through 2019
- Decision to Proceed with Expansion: 1st Qtr/2020
- Expansion Final Design and Construction: 2nd Qtr/2020 thru 4th Qtr/2023
- New Employee Hiring, Training, and Ramp up: 2023
- Mine Expansion in Operation: Beginning 2024

The Town of Bagdad has had a direct relationship to local mining operations, which have been ongoing since 1882. Attached as **Appendix 1** is Summary of Financial Impact FMBI Operations had on Yavapai County in 2017. Should the mine expansion proceed, it is anticipated that proven copper ore reserves are available for extraction and processing to maintain operations through 2059 at a minimum. The continued positive financial impact of the Bagdad mine on Yavapai County are very certain. Copper mining is a cyclical commodity business and financial impact will vary over year or periods of years.

2.3 TERM OF COOPERATION AGREEMENT

There are three potential pools of FMBI employees, contract employees, and contractor workforce that will provide customers for mutually beneficial cooperation.

First, FMBI continues to have approximately 100 employees on housing wait lists. There are also approximately 830 employees working and living in Bagdad. Therefore, there are potential customers already in and around the Bagdad area that could be an “early pool” of candidate buyers.

Second, the mine expansion will generate up to 800 new positions at the Bagdad mine. FMBI’s preference is that as many of those new employees as possible live outside Bagdad. In 2023 FMBI will be hiring these new employees. These are the primary target customers for the respondents to this REOI.

FMBI is considering early approval of a smaller mine expansion effort that will add 50 -60 new positions in late 2019 or early 2020.

Third, FMBI is also developing its strategy related to the 2,000 temporary workers that will be constructing the mine expansion components and installing associated equipment. FMBI believes this will create a window of opportunity for home rental, RV Park and hotel development. Any housing/lodging resources such as these should experience very high demand for the 2021 – 2023 timeframe. The permanent expanded mine operations starting in 2024 may also create on-going demand for these resources if within reasonable commute times of Bagdad.

Given these three pools of potential customers, FMBI envisions the term of this period of cooperation to cover the discovery and due diligence period to establish the intent to cooperate, development of a mutually agreeable terms of the cooperation, through the end of calendar year 2023 when the permanent employees will have been hired and their housing solution(s) implemented.

3.0 PRE-SUBMITTAL CONFERENCE

It is anticipated that interested respondents will desire to have their potential approach to satisfying this housing need kept confidential until FMBI identifies the respondent(s) that they desire to cooperate and form cooperation agreements with. FMBI will schedule individual meetings with interested respondents to answer questions and provide additional details regarding FMBI's expansion plans at Bagdad. Representatives from FMBI will sign a confidentiality agreement committing to not share any specifics of the identity of any potential respondents nor their concepts or specific approach discussed during the Pre-Submittal meeting. See **Appendix 2** for Form of Confidentiality Commitment.

Attending a Pre-Submittal meeting with FMBI is not mandatory.

FMBI will offer one-hour meeting time slots throughout the day on the following days:

- November 13, 2018
- November 14, 2018

Additional days may be added depending on the number of meetings requested. To schedule a Pre-Submittal meeting please contact FMBI's representative for this REOI:

Tim Crall, Sr. Project Manager
Entellus, Inc.
602.889.4454 or
tcrall@entellus.com

Meetings will be held at Entellus' office at 3033 N. 44th Street, Suite 250, Phoenix Arizona 85018.

4.0 SPECIFICATIONS OF COOPERATION

4.1 SCOPE OF THE PROJECT

FMBI will identify one or more development/builder entities to cooperate with in order for appropriate and targeted housing options outside of Bagdad to be made available for purchase or rent by FMBI's existing and expanded workforce. FMBI's goal is to have up to 1,000 employees purchase or rent homes from respondents identified from this process.

4.1.1 PROJECT DESCRIPTION

To be identified to enter into a cooperation agreement with FMBI, respondents must propose housing solutions that generally satisfy the following requirements:

- Single family detached homes
- Various price points from \$200,000 - \$300,000, with predominant quantity being offered for \$250,000 or less
- Available for purchase and move-in during the 2023 calendar year
- Minimum number of homes available and targeted to FMBI employees – 50 per location
- Maximum commute time of 60 minutes to Bagdad. 30 – 45 minutes preferred.

It will be the respondents' responsibility to obtain land, entitlements, all utility services, complete land development and construction of homes, obtain all local and state agency approvals, and any and all financing required to deliver the homes for sale or rent.

FMBI may be willing to conduct additional employee surveys for specific housing preferences if deemed in mutual interests of FMBI and the respondent.

4.2 PARTICIPATION BY FMBI

FMBI will identify respondents to cooperate with that, in its assessment and opinion, have the experience and resources necessary, as well as a proposal that has a high probability of successful execution to satisfy the commitment made to offer a specific number of homes satisfying the criteria outlined in this Request for Expression of Interest.

FMBI may be willing to participate with identified respondents in some form or manner. Respondents should indicate in their submittal what participation or support they would require in order to be able to enter into a cooperation agreement as envisioned by this Request for Expression of Interest.

Should FMBI decide to cooperate with one or more housing providers, FMBI is willing to purposely program fewer or no new housing units in Bagdad. New and/or existing employees will be required to find housing outside Bagdad.

4.3 BRIDLE CREEK

FMBI currently owns approximately 140 acres along Highway 97 between Highway 93 and the Town of Bagdad. See **Appendix 3** for Bridle Creek Location Map. There is an existing water well associated with the Bridle Creek property on Arizona State Land Department leased land. The well was sited and drilled in 1972, was drilled to a depth of 473 feet and reportedly completed with a 16-inch perforated casing from land surface to 432 feet. At three times in the past pumping tests were conducted for the well including a 24-hr and two 10-day tests. Since construction the well has generally been unused, except periodically by ADOT highway contractors during road construction projects.

Should FMBI and a respondent enter into detailed discussions about potentially cooperating at the Bridle Creek property, a previously completed Review of Available Hydrologic Data for the well may be shared by FMBI.

FMBI may consider proposals from respondents that leverage this existing land holding. Proposals would need to outline the following at a minimum:

- Proposed land basis cost to respondent
- Projected unit count
- Projected cost per housing unit to FMBI employees
- Additional consideration or support from FMBI
- Approach to water and wastewater systems
- Other as needed to understand proposed plan

5.0 TERMS & CONDITIONS

This is not a procurement directly with FMBI. However, it is anticipated that the cooperation envisioned by the Request for Expression of Interest will require some form of Memorandum of Understanding, Joint Development Agreement, Cooperation Agreement, or some other documentation that is mutually agreeable to both the respondent and FMBI.

Respondent should indicate in their submittal what form of agreement documentation will be required for their participation.

6.0 FORM OF EXPRESSION OF INTEREST

There is no mandated form of response to this Request for Expression of Interest. Respondent should submit materials that are necessary for FMBI to understand their Expression of Interest and specific approach to providing a housing solution that is mutually beneficial to the respondent and FMBI.

At a minimum the Expression of Interest should document the following.

- Location(s) of proposed housing units
- Type, size, lot size, etc. of units
- Approximate capital requirements and proposed source of that capital
- Approximate financing requirements and proposed source of that financing
- Consideration or participation required of FMBI
- Proposed form of agreement between respondent and FMBI
- Previous experience with land development and/or housing construction
- Key team members who will lead the respondent's efforts
- Additional information required from FMBI to enhance probability of success
- Stipend (if any) requested to continue development of the proposal during FMBI's Feasibility Study in 2019.

7.0 CALENDAR OF EVENTS

Listed below are specific and estimated dates and times of actions related to this REOI. In the event that FMBI finds it necessary to change any of the specific dates and times in the calendar of events listed below, it will do so by issuing a supplement to this REOI.

DATE	EVENT
10/29	Date of issue of the Request for Expression of Interest
11/13 & 11/14	Pre-Submittal Meetings
11/23	Last day for submitting written inquires (Request for Information)
11/29	Response to inquiries & any amendments to Request for Expression of Interest
12/20	Expression of Interest due from respondents.
1/11/19	Clarification meeting(s) as needed to review proposals with respondents
3/1/19	Notification of intent to continue proposal feasibility development to respondents.

APPENDIX 1
FINANCIAL IMPACT OF BAGDAD OPERATIONS ON YAVAPAI COUNTY AND
ARIZONA - 2017

IMPACT OF BAGDAD OPERATIONS ON ECONOMY OF YAVAPAI COUNTY AND ARIZONA— 2017



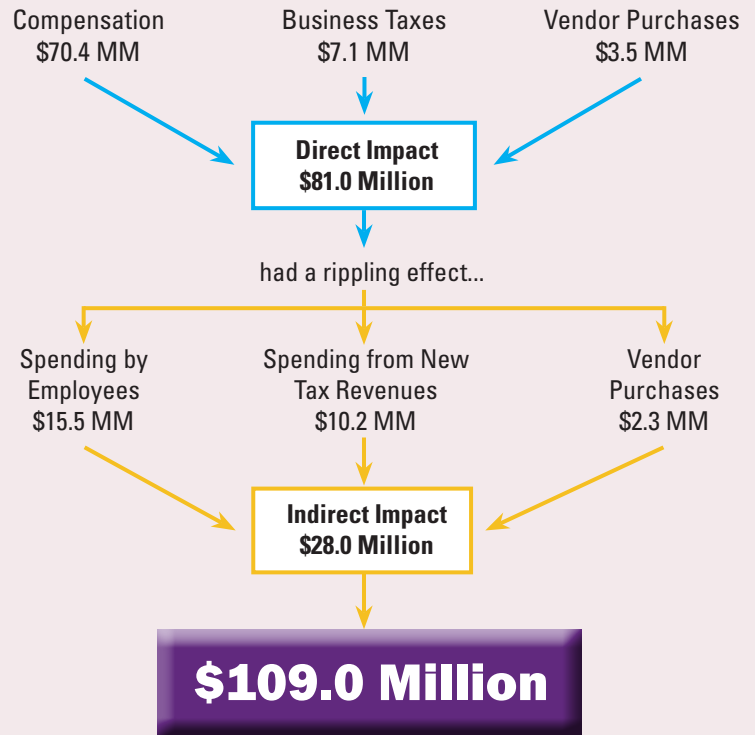
Freeport-McMoRan's Bagdad mine generated an estimated **\$109.0 million** in economic benefits for Yavapai County and approximately **\$226.1 million** for Arizona in 2017. Our Company contributes in many ways to the sustainability of the various communities, counties and states in which we operate. They rely heavily on the economic benefits directly and indirectly provided by our various operations in the form of wages and taxes we pay as well as the goods and services we purchase. This direct spending ripples through the economy, generating additional economic benefits and contributing to more jobs and greater tax revenues.

The charts to the right explain how our Bagdad mine provides such a boost to the county and state economies.

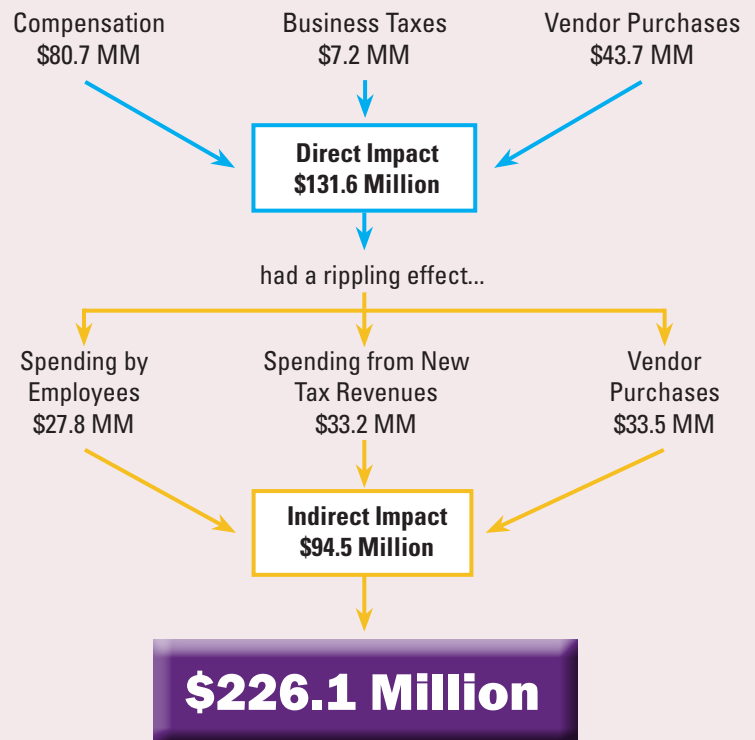
Freeport-McMoRan's Bagdad mine had nearly 900 employees at the end of 2017 and a total impact of approximately 2,250 jobs on Arizona's economy 2017.

All economic impact numbers were produced by the L. William Seidman Research Institute, Arizona State University.

Bagdad Operations' Impact on Yavapai County



Bagdad Operations' Impact on Arizona



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APPENDIX 2
FORM OF CONFIDENTIALITY COMMITMENT

This is a confidentiality agreement covering exploratory pre-proposal and pre-agreement discussions as well as agreement-phase information should [redacted] and FMBI decide to cooperate on this project.

Date:

Developer/Builder: [redacted] Freeport McMoRan Bagdad Inc. (FMBI)

Address: Address:

Telephone: Telephone:

E-Mail: E-Mail:

Attention: Attention:

Project Description: *Freeport McMoRan Bagdad Workforce Housing
Offsite Private Housing Option*

FMBI and [redacted] agree as follows:

- A. [redacted] is prepared to disclose certain information to FMBI in order for FMBI to understand its conceptual proposal to provide housing to FMBI employees.
- B. In the course of such disclosure confidential and commercially sensitive information may come into possession of FMBI.
- C. FMBI hereby acknowledges that confidential information may be furnished to FMBI and hereby agrees to:
 - a. Keep the information confidential and not disclose or reveal the same to other respondents to the Request for Expression of Interest
 - b. Shall not use the information for any purpose not related to the project
- D. At the request of [redacted] upon the conclusion or termination of discussions or the project, FMBI shall return all information or destroy the same.
- E. Confidential information, for the purposes of this agreement, shall not include:
 - a. Information rightfully in possession by FMBI prior to the date of disclosure by [redacted]
 - b. Information that was in the public domain prior to the date of disclosure
 - c. Information which becomes part of the public domain by publication or otherwise except for an unauthorized act or omission on the part of FMBI
 - d. Information which is supplied to FMBI by a third party who is under no obligation to [redacted] to maintain such information in confidence
 - e. Information which is developed by FMBI independently of the disclosures by [redacted] under this agreement
- F. Nothing herein shall be construed as an obligation on FMBI to deal exclusively with [redacted] in respect of the project or any venture similar to the project.
- G. The provisions of this agreement shall continue to apply for six (6) months from the date of receipt of the last disclosure of confidential information
- H. This agreement and any legal actions concerning its validity, interpretation and performance shall be governed by and construed in accordance with the laws of the State of Arizona. Any legal action between the parties arising out of this agreement shall be brought in a court of competent jurisdiction in the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have accepted, made and executed this agreement upon the terms, conditions, and provisions above stated and on the following pages, effective as of the day and year first above written.

Freeport McMoRan Bagdad Inc.
Owner

Developer/Builder

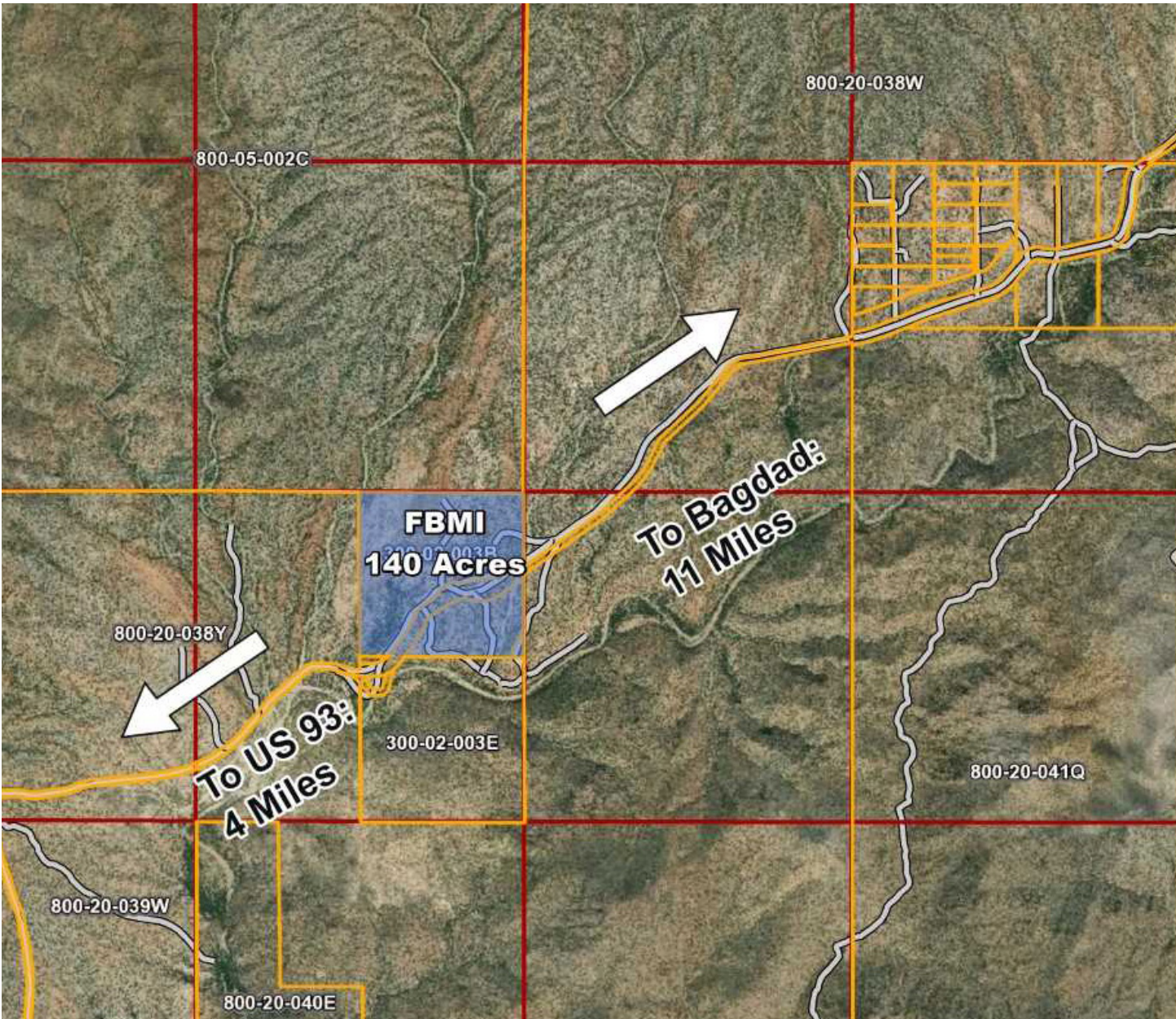
By: _____

By: _____

Title Date

Title Date

APPENDIX 3
BRIDLE CREEK LOCATION MAP



Existing FMBI Land Asset