

**SETTLEMENT
TERMSHEET**

For settlement by and among:

1. The Home Insurance Company,
2. Phelps Dodge Miami, Inc. and Phelps Dodge Corporation (together "Phelps Dodge"), and
3. Inspiration Consolidated Copper Company

[Note: formal names of the parties to be verified]

NHDI Approval: Settlement subject to approval by the New Hampshire Department of Insurance.

Payment: Home to pay \$2.5 million. Payment due within 30 days of the later of (i) full execution of a formal settlement agreement consistent with this termsheet, and (ii) approval by the New Hampshire Department of Insurance. Payment to be made to Inspiration, with Phelps Dodge to waive any claim of inadequate consideration. Home not responsible for allocation or distribution among Phelps Dodge and Inspiration. Home not responsible for tax consequences to Phelps Dodge and Inspiration of Home's payment.

Full Site Release: Phelps Dodge and Inspiration will release all past, present and future claims arising from the Pinal Creek Site (including but not limited to claims arising from pollution at or emanating from that site). Explicit release of unknown future claims. Release extends to all policies issued by Home (or any predecessor of Home) to Phelps Dodge, to Anaconda and to Inspiration, or under which they may be insureds or otherwise have any right, title or interest.

Release of Other (non-Pinal Creek Site) Claims:

1. **Policies Subject to the Release:** All policies issued by Home (or any predecessor of Home) to Anaconda and to Inspiration, and any additional policies under which Phelps Dodge or Inspiration may be an insured or otherwise have any right, title or interest. Phelps Dodge does not release claims under policies issued to Phelps Dodge, but Phelps Dodge will not assert any claims under policies issued to Phelps Dodge that arise from Anaconda and Inspiration.
2. **Scope of Release to Home:** Full environmental release, *i.e.*, all past, present and future environmental claims (detailed definition to follow). Explicit release of unknown future claims.

Home and REM: Releases extend equally to Home and to Risk Enterprise Management, Ltd., which manages the business of Home. Releases are provided by Phelps Dodge and Inspiration and extend to all of their respective subsidiaries, affiliates, etc.

Express Bad Faith Waiver: Release of all bad faith, unfair claims practices claims, etc. against Home and REM.

Indemnity:

CONFIDENTIAL SETTLEMENT TERMSHEET

1. Except as provided in paragraphs 2 and 3 below, Phelps Dodge and Inspiration each indemnify Home and REM (up to the amount of the settlement) against (i) any and all environmental claims made by others under the policies that are the subject of the release, and (ii) any and all claims by other insurers seeking recovery (contribution, indemnity, etc.) of amounts spent in connection with environmental claims arising from policies issued to Anaconda and/or to Inspiration.
2. Phelps Dodge and Inspiration each indemnify Home (uncapped indemnity) against any and all claims by any primary insurer (including but not limited to Old Republic Insurance Company) or any successor or assignee thereof for defense costs arising from the Pinal Creek Site.
3. Phelps Dodge and Inspiration each indemnify Home (uncapped indemnity) against any and all claims by any non-insurer third parties (including but not limited to BHP or any other mining company or their respective successors or assignees) against Home in Home's capacity as an insurer of Inspiration and/or Anaconda in connection with the Pinal Creek Site.
4. Indemnity provided by Phelps Dodge and Inspiration extends to Home's defense of indemnifiable claims. Home to select counsel to defend it and will control its own defense. Home's selection of counsel shall be subject to approval of Phelps Dodge, which approval shall not be unreasonably withheld.

Termination of Jury Trial and Dismissal of Coverage Litigation: Upon execution of this termsheet, counsel for Home and Inspiration shall immediately inform the Honorable Rebecca A. Albrecht that a settlement termsheet has been executed by the parties and that therefore the jury trial shall be terminated prior to the commencement of closing arguments scheduled to commence on December 2, 2002 at 9:30 a.m. in Maricopa County Superior Court Cause No. CV 98-000530. Maricopa County Superior Court Cause No. CV 98-000530 is to be dismissed with prejudice as against Home, each party to bear its own attorneys' fees and costs.

Subrogation, etc.: Home will not release or assign subrogation rights, but will agree not to assert any subrogation claims it may have or acquire by virtue of the settlement payment. Home will agree not to seek recovery (contribution, indemnity, etc.) from any other insurers of Anaconda and Inspiration, but reserves the right to assert such claims if another insurer first asserts comparable claims against Home. Nothing in the settlement shall impair any contractual rights or obligations that Home may have vis-à-vis other of its policyholders (or their successors).

No Admissions: The settlement is to be made without admission by any party.

No Assignment: Phelps Dodge and Inspiration to warrant that they have not assigned or transferred any claims that they are releasing or purporting to release.

Confidentiality: Agreement to remain confidential, with some reasonable exceptions to disclosure.

Miscellaneous: authority, counterparts, notice provisions, construction of agreement, advice of counsel, etc.

Representation and Warranty: Phelps Dodge and Inspiration are not aware any other claims related to the Pinal Creek Site that are within the scope of the releases provided in this settlement.

Agreement in principle along the lines set forth above, but to be memorialized in a formal settlement agreement consistent with this termsheet.

The Home Insurance Company

By: Pamela A. Tanis

Printed

Name: Pamela A. Tanis

Title: Senior Litigation Analyst

Date: November 29, 2002

Phelps Dodge Miami, Inc.

By: _____

Printed

Name: _____

Title: _____

Date: November __, 2002

Phelps Dodge Corporation

By: _____

Printed

Name: _____

Title: _____

Date: November __, 2002

Inspiration Consolidated Copper Company

By: _____

Printed

Name: _____

Title: _____

Date: November __, 2002

Miscellaneous: authority, counterparts, notice provisions, construction of agreement, advice of counsel, etc.

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The Home Insurance Company

By: _____

Printed

Name: _____

Title: _____

Date: November __, 2002

Phelps Dodge Miami, Inc.

By: Leo M. Pruett

Printed

Name: LEO M. PRUETT

Title: Assistant General Counsel

Date: November 27, 2002

Phelps Dodge Corporation

By: Leo M. Pruett

Printed

Name: LEO M. PRUETT

Title: Assistant General Counsel

Date: November 27, 2002

Inspiration Consolidated Copper Company

By: _____

Printed

Name: _____

Title: _____

Date: November __, 2002

Miscellaneous: authority, counterparts, notice provisions, construction of agreement, advice of counsel, etc.

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Title: _____

Date: November __, 2002

Phelps Dodge Miami, Inc.

By: _____

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Name: _____

Title: _____

Date: November __, 2002

Phelps Dodge Corporation

By: _____

Printed
Name: _____

Title: _____

Date: November __, 2002

Inspiration Consolidated Copper Company

By: G. Van Velsor Wolf Jr.

Printed
Name: G. VAN VELSOR WOLF JR

Title: COUNSEL

Date: November 27, 2002