

Rosemont Copper Company
Santa Rita Mountains Community Endowment Trust
Trust Concept

September 15, 2010

Introduction.

In July 2007, Rosemont Copper Company (Rosemont) submitted a Mine Plan of Operations (MPO) to the Coronado National Forest (CNF) describing its plans to develop an open pit copper mine in Pima County, Arizona. These plans included reference to a Santa Rita Mountains Community Endowment Trust (Trust). Rosemont recognized that even though mining brings significant economic benefits to local communities and is indispensable to the current and future economic well being of any developed society, even the best-planned mining project also has significant short-and long-term impacts on local communities. Therefore, in addition to all of the mitigation and reclamation activities required by law and regulation, Rosemont identified an additional \$50 million in voluntary commitments to provide benefits to regional communities.

These voluntary commitments to the Trust are not required by existing law or regulation. Rosemont has chosen to include the Trust in the MPO in such a way that it can become federally enforceable should the CNF choose to include the Trust as an approved condition of the Record of Decision following release of a Final EIS with a selected action alternative.

The Trust is a key element in the MPO proposed by Rosemont. Over the life of the mine project, the Trust will receive approximately \$50 million in assets, commitments, and funding from Rosemont. The Trust will be governed by a local Board of Trustees advised by a broad-based Advisory Council populated by representatives of diverse local interests. While the Board of Trustees and Advisory Council will make most of the specific decisions about how Trust funds will be utilized, Rosemont anticipates that priority will be given to projects that address the eleven issues identified by the public and agency scoping process for detailed analysis within the EIS.

Trust Goals.

- 1) To establish a stable funding source for priority community projects within the region surrounding the Rosemont Copper project site.
- 2) To endow funds for use during and after the life of the Rosemont project.
- 3) To provide ongoing source of management funds for projects identified in Santa Rita region community recreation, cultural, and environmental conservation plans.
- 4) To provide an efficient and cost-effective governance structure that maintains future flexibility in funding priorities.
- 5) To provide opportunity for Trust participation by key constituencies affected by the Rosemont MPO.

Key Concepts.

- 1) Focus Trust funding activities in the region surrounding the Rosemont project site. This region includes but is not necessarily limited to the Santa Rita Mountains, the Upper Santa Cruz River basin, the Green Valley/Sahuarita area, the Santa Rita Experimental Range, Davidson Canyon, the Cienega Creek basin, Las Cienegas Riparian Conservation Area, Cienega Creek Preserve, Sonoita, Sonoita Creek, Empire Mountains and Canelo Hills.
- 2) Engage key constituencies in this region in Trust management and decision-making. Utilize the Trust to provide financial resources and expertise to help achieve key constituency goals. Some of these constituencies are Pima County, Santa Cruz County, Cochise County, City of Tucson, San Xavier District of the Tohono O'odham Nation, University of Arizona, Bureau of Land Management, US Forest Service, Arizona State Land Department, Green Valley, Town of Sahuarita, Sonoita, Pima Association of Governments, Nature Conservancy, Sonoran Institute, Friends of the Santa Cruz River, and the Arizona Open Land Trust.
- 3) In the first year of mine construction, Rosemont will donate to the Trust conservation easements and restrictive covenants (valued at more than \$6 million) that limit future major development, but allow for continued ranching and public recreational use, covering approximately 2,000 acres of Rosemont fee lands in the Rosemont project area.
- 4) Rosemont will provide additional Trust funding in the first 4 years after mine construction begins. Rosemont anticipates that this initial funding will be utilized primarily for the acquisition of conservation lands by the Trust.
- 5) Rosemont will provide \$500,000 per calendar year for 25 years from the beginning of mine construction through completion of mine closure as an annual baseline Trust operational funding commitment.
- 6) Rosemont will also contribute an additional capped contribution of \$25 million to the Trust Endowment over the life of the mine as variable contributions based on the price of copper, beginning in the first full year of copper and molybdenum production. These funds could be utilized for any of the Trust objectives following closure of operations, as determined by the Board Trustees. The formula for variable contributions is:

Additional Trust Endowment contribution =

- 0.0% of revenue generated up to \$2.25 per lb Cu equivalent production, plus
- 1.0% of revenue generated between \$2.25 and \$2.50, plus
- 1.5% of revenue generated between \$2.50 and \$2.75, plus
- 2.0% of revenue generated between \$2.75 and \$3.00, plus
- 2.5% of revenue generated above \$3.00 per pound

For example:

- If Rosemont produced 300 million lbs of Cu equivalent in a particular year, and if the average price realized for that year was \$2.50 (total annual revenue of \$750 M), the contribution to the Trust would be 0% of first \$675 M, plus 1 % of next \$75 M, for a total Trust contribution of \$0.75 M.
- In a year in which the average price of copper realized was \$2.20 (annual revenue of

\$660 M), no Trust contribution would be made.

- If the average price reached \$3.00, (\$900 million total revenues), the Trust contribution under the formula would be:

0 for first 675 million
1% for next \$0.75 million = \$0.75 mm
1.5% for next 0.75 million = \$1.125
2% for next 0.75 million = \$1.5 m
Total contribution would be \$3.375 M.

The total aggregate variable contributions to be capped at \$25 million..

- 7) When operations, and therefore Trust contributions, cease at the Rosemont Project, the Trust will continue to operate and provide funding based on the annual revenue yield from the Trust corpus, provided the Board of Trustees determines that a permanent endowment is an appropriate disposition for a portion of the Rosemont contributions to the Trust.
- 8) The Board of Trustees, assisted by the Advisory Council, will identify specific funding priorities for all of the funds provided by Rosemont to the Trust. As an example, a funding 'menu' like the following could be considered:

Land protection and management	Pima County SDCP priorities
Invasive species control	Santa Ritas, Experimental Range, Las Cienegas
Dark skies initiative	Smithsonian, U of A
Internships and graduate fellowships	USFS, BLM, Pima County, U of A (mines, geology, agriculture, etc.)
Public safety	Pima County, Sahuarita, Tucson, Green Valley, etc.
Historic preservation	Santa Cruz Valley, Santa Ritas, etc.
Recreation	Forest Service, Pima County, BLM, etc.

- 9) For administrative efficiency, the Trust will affiliate with a local entity like the Arizona Open Land Trust or Tucson Community Foundation. This independent entity would receive administrative funding support in return for providing administrative services and providing an office for the Trust operations. In addition, a local trust fund investment manager (trust company, local bank, etc) will be selected early in the process to ensure Trust independence and sound fiscal management.

Governance.

- 1) The Trust will be established as an independent charitable trust, with tax-exempt status.
- 2) The Trust will be able to accept contributions from sources other than Rosemont or any successor-in-interest at Rosemont.
- 3) The Trust will be governed by a Board of Trustees made up of key constituents. Terms will be three years with overlapping terms. The Board will have an odd number of members, not to exceed 9. One possible alignment might be as follows:

1. 1 member appointed by
2. 1 member appointed by
3. 1 member appointed by
4. 1 member representing the company managing the Trust corpus
5. 1 member appointed by
6. 1 member representing the general public appointed by
7. 1 member appointed by Rosemont Ranch
8. 2 members appointed by Rosemont or its successor-in-interest

The Board of Trustees will elect from among themselves a President, Vice President and Secretary/Treasurer who, together with the immediate past President, will make up an Executive Committee.

- 4) In Advisory Council made up of other key constituents and individuals with specific expertise will be established with a membership of about 25-30. One possible configuration might be:

- 5 member subgroup on Recreation
- 5 member subgroup on Natural Resources
- 5 member subgroup on Cultural/History
- 5 member subgroup on Education
- 5 member subgroup for Other issues

All members of the Advisory Council and Board of Trustees would serve without compensation.