

PHELPS DODGE CORP  
Form 424B2  
June 10, 2002

FILED PURSUANT TO RULE 424(B)(2)  
REGISTRATION STATEMENT NO. 333-67606

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED AUGUST 15, 2001)

10,000,000 SHARES

[PHELPS DODGE CORPORATION LOGO]

COMMON SHARES

Phelps Dodge Corporation is offering all of the shares to be sold in the offering.

Phelps Dodge's common shares are listed on the New York Stock Exchange under the symbol "PD." The last reported sale price for our common shares on June 6, 2002 was \$41.01 per share.

Concurrently with this offering of common shares, Phelps Dodge is offering \$200 million of 6.75% Series A Mandatory Convertible Preferred Shares (MEDS(SM)). The MEDS will be offered pursuant to a separate prospectus supplement. Neither offering is conditioned on the other.

INVESTING IN OUR COMMON SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-2.

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JPMorgan will purchase the common shares at a price per share of \$40. The common shares are expected to be sold by JPMorgan to the public in one or more transactions at market prices prevailing at the time of sale or at prices otherwise negotiated.

The underwriter expects to deliver the common shares to purchasers on or about June 12, 2002.

JPMORGAN

June 6, 2002

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MEDS(SM) is a service mark of JPMorgan.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated by reference in them include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as

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amended (the "Securities Exchange Act"). We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements. You should be aware that these statements reflect our expectations and are not guarantees of performance. These forward-looking statements are subject to certain risks and uncertainties, including those identified in "Management's Discussion and Analysis" in our Annual Report on Form 10-K for the year ended December 31, 2001, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and in this prospectus supplement under the heading "Risk Factors," which could cause actual results to differ materially from historical results or those projected. Forward-looking statements include, among other things, discussions concerning our potential exposure to market risks, as well as statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. In some cases, you can identify forward-looking statements by words such as "believe," "estimate," "intend," "anticipate," "expect," "should," "plan," "predict," "potential," "may," "will" or similar expressions.

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### RISK FACTORS

In addition to the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus (including risks and uncertainties identified in "Management's Discussion and Analysis" in our Annual Report on Form 10-K for the year ended December 31, 2001, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002), the following factors should be carefully considered prior to deciding whether or not to purchase the common shares.

#### OUR INDEBTEDNESS COULD AFFECT OUR OPERATIONS.

At March 31, 2002, we had outstanding debt of approximately \$2.83 billion, constituting approximately 50.8% of our total capitalization. This level of indebtedness could reduce our flexibility in responding to changing business and economic conditions, and limit our ability to pursue other business opportunities and borrow money for operations or capital.

#### COPPER AND MOLYBDENUM PRICE VOLATILITY MAY REDUCE OUR INCOME.

Copper is an internationally traded commodity. Its prices are effectively determined on the two major metals exchanges--the London Metal Exchange (LME) and the New York Commodity Exchange (COMEX). The prices on these exchanges reflect the worldwide balance of copper demand and supply and various U.S. and international macroeconomic and political conditions. Prices are also sometimes influenced significantly by numerous other factors, including speculative actions, the availability and cost of substitute materials, and currency exchange fluctuations. The copper market is volatile and cyclical, as illustrated by the following charts showing the high, low and average LME and COMEX spot prices per pound of copper cathode for the years indicated. The average spot prices are the averages of the monthly averages for each year, which we believe best reflect the manner in which we price copper for sale.

#### LME PRICES

YEAR	HIGH	LOW	AVERAGE
1992.....	\$1.17	\$0.95	\$1.03

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1993.....	1.08	0.72	0.87
1994.....	1.40	0.78	1.05
1995.....	1.47	1.23	1.33
1996.....	1.29	0.83	1.04
1997.....	1.23	0.77	1.03
1998.....	0.85	0.65	0.75
1999.....	0.84	0.61	0.71
2000.....	0.91	0.73	0.82
2001.....	0.83	0.60	0.72
2002 (through June 6).....	0.77	0.64	0.71

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COMEX PRICES

YEAR	HIGH	LOW	AVERAGE
1992.....	\$1.16	\$0.93	\$1.03
1993.....	1.07	0.72	0.85
1994.....	1.40	0.78	1.07
1995.....	1.46	1.21	1.35
1996.....	1.31	0.86	1.06
1997.....	1.23	0.76	1.04
1998.....	0.86	0.64	0.75
1999.....	0.85	0.61	0.72
2000.....	0.93	0.74	0.84
2001.....	0.87	0.60	0.73
2002 (through June 6).....	0.78	0.65	0.73

On June 6, 2002, the closing spot price of copper cathode on the LME and the COMEX was \$0.77 and \$0.78 per pound, respectively.

Any material change in the price we receive for copper, or in our unit production costs, has a significant effect on our results. Our share of current annual production, after our recently announced curtailments, is approximately 2.0 billion pounds of copper. Accordingly, each 1 cent per pound change in our average annual realized copper price, or in average annual unit production costs, causes a variation in annual operating income before taxes of approximately \$20 million. Consequently, low copper prices may reduce the value of our equity securities and a sustained and uninterrupted period of unusually low copper prices could reduce our ability to pay principal and interest on our debt, dividends on our MEDS, or meet our other obligations.

While we have from time to time in the past entered into limited hedging arrangements to reduce a portion of our exposure to the volatility of commodity market prices, we may not do so in the future. In addition, depending upon the specific arrangements, market conditions and other factors, these hedging arrangements, if entered into, could reduce the earnings or cash flow that we otherwise might realize or could result in losses. We did not have any outstanding copper price protection contracts on June 6, 2002.

Molybdenum, like copper, is characterized by volatile and cyclical prices. Prices are influenced by worldwide economic conditions, world supply/demand

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balances, inventory levels, the U.S. dollar exchange rate, production costs of U.S. and foreign competitors, and other factors. Molybdenum consumption depends heavily on worldwide demand from the specialty steel industry and, to a lesser extent, on chemical applications. A substantial portion of world molybdenum production is a by-product of copper mining, which is relatively insensitive to molybdenum prices. Due to declining consumption, following a brief period of rising prices in the first half of 2001, prices reversed direction and weakened throughout the second half of the year. Platts Metals Week dealer oxide prices averaged \$2.36 per pound for 2001, in contrast to 2000 and 1999 average prices of \$2.51 per pound and \$2.66 per pound, respectively. We received an average realized price of \$3.64 per pound for molybdenum products in 2001, reflecting the broad mix of upgraded molybdenum products as well as oxide (technical grade molybdic oxide). Platts Metals Week dealer oxide prices averaged \$2.74 per pound in the first quarter of 2002.

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INCREASED ENERGY COSTS COULD REDUCE OUR PROFITABILITY OR RESULT IN LOSSES.

Energy, including electricity, diesel fuel and natural gas, represents a significant portion of the production costs for our operations. The principal sources of energy for our mining operations are purchased petroleum products, natural gas and electricity. Our wire and cable and specialty chemicals operations generally use purchased electricity and natural gas as their principal sources of energy. In addition, the price of residual oil feedstock is a significant factor in the cost of our specialty chemicals products because the carbon black we produce is made primarily from heavy residual oil.

During 2000 and 2001, our operations were adversely affected by increased energy costs. In response to the volatile energy markets, we implemented a power cost stabilization plan in early 2001 that reduced electricity-related costs at our U.S. mining operations. Additionally, to mitigate our exposure to increases in diesel fuel and natural gas prices, we entered into price protection programs in late 2000 and early 2001 designed to protect us against significant upward movements in prices while maintaining the flexibility to participate in any favorable price movement.

Energy will continue to represent a significant portion of the production costs for our operations, and we may be negatively impacted by future energy availability issues or increases in energy prices. If we are unable to procure sufficient energy at reasonable prices in the future, it could reduce the earnings or cash flow that we otherwise might realize or could result in losses.

WE MAY NOT REALIZE THE REDUCTIONS IN OUR COPPER PRODUCTION COSTS AND OTHER IMPROVEMENTS PROJECTED FOR OUR QUEST FOR ZERO OPERATIONAL IMPROVEMENT PROGRAM.

Our unit cost structure for copper production is higher than those of some major producers outside the United States due to lower ore grades, higher labor costs and, in some cases, stricter regulatory requirements. To address this situation, in May 2001 we commenced Quest for Zero, our company-wide, comprehensive lean-production program, which we believe will narrow these cost disadvantages with respect to a number of our international competitors. Phelps Dodge Mining Company is aggressively pursuing its target of an all-in 60 cents per pound implied unit cost of copper production by the end of 2003, which is at the heart of our Quest for Zero program.

Overall, the Quest for Zero program is designed to result in \$400 million of annual operating income improvements by the end of 2003 and reduce our overall cost structure. \$55 million of improvements were achieved in 2001. Based on \$44 million of improvements achieved in the first quarter of 2002, the annualized run-rate was \$175 million as of March 31, 2002. Should we fail to achieve our

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targets, our earnings may be lower or we may suffer losses.

### ENVIRONMENTAL AND REGULATORY COMPLIANCE MAY IMPOSE SUBSTANTIAL COSTS ON US.

Our mining operations and exploration activities, both inside and outside the United States, are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, protection and remediation of the environment, protection of endangered and protected species, mine safety, toxic substances and other matters. Mining is also subject to risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Compliance with these laws and regulations imposes substantial costs and subjects the company to significant potential liabilities.

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Our operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining environmental quality. Our global operations are also subject to many environmental protection laws. Environmental laws often require parties to pay for remedial action or to pay damages regardless of fault. Environmental laws also often impose liability with respect to divested or terminated operations, even if the operations were terminated or divested many years ago. The federal Clean Air Act has had a significant impact, particularly on our smelters and power plants. The amended federal Bureau of Land Management regulations governing mined land reclamation for mining on federal lands will likely increase our regulatory obligations and compliance costs over time with respect to mine closure reclamation. We are also subject to state laws and regulations that establish requirements for mined land reclamation and financial assurance. Costs associated with environmental and regulatory compliance have increased over time, and we expect these costs to continue to rise in the future. In addition, the costs of environmental obligations may exceed the reserves we have established for such liabilities.

### MINE CLOSURE REGULATIONS MAY IMPOSE SUBSTANTIAL COSTS ON US.

We are pursuing approval of reclamation plans for our Chino, Tyrone and Cobre operations in the State of New Mexico. The cost estimate to implement the draft plan proposed jointly by us and the State for Chino is \$386 million on an undiscounted basis. Based upon our understanding of the State's position, the net present value of the obligation when adjusted to reflect appropriate escalation and discount rates is approximately \$180 million to \$200 million. We are negotiating with the State regarding the amount of financial assurance required to cover the cost estimate. The final plan is subject to the public hearing process, consideration of public comments and any judicial appeals, and a portion of the plan will require a waiver of certain mining standards as authorized by the New Mexico Mining Act.

The State has proposed a plan for Tyrone with a cost estimate of \$440 million and with a financial estimate based on an adjusted net present value of \$267 million. We believe the more appropriate cost estimate and actual reclamation costs for the Tyrone operation should be comparable to the Chino plan, and the differences in valuation will be the subject of the public hearing process. We expect the cost estimate for the Cobre plan to be approximately \$40 million. These final plans, and their associated costs, are also subject to the public hearing process, consideration of public comments and any judicial appeals. Based on the current schedule, the obligations to post additional financial assurance under the proposed reclamation plans for the New Mexico sites will become effective in October 2002.

The cost estimate to implement reclamation plans for our Arizona operations is

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approximately \$70 million. These reclamation plans were approved by the State of Arizona in 1997. They are reviewed and accepted annually, most recently in March 2002.

Although it will not affect the amount of required financial assurance, the actual implementation cost for the reclamation plans may vary significantly from the cost estimate based on a variety of factors, including changes in legal standards over time, potential cost savings from use of our own personnel and equipment (by law, the cost estimate assumes use of third-party contractors to complete the work), advances in technology and reclamation techniques, and possible improvements in site preparation.

New Mexico's mined land reclamation law requires that all companies deliver financial assurance. Surety bonds are the traditional source of financial assurance. However, the cost of surety bonds has increased significantly during the past year and many surety companies are

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now requiring an increased level of collateral supporting the bonds. The surety bond market has become volatile and may not have sufficient capacity to meet our maximum possible exposure. In addition, if we fail to maintain our investment grade rating, a risk discussed in the paragraph below, our ability to obtain surety bonds in the market could be limited further. If we are unable to satisfy our financial assurance obligations in New Mexico with surety bonds, we will be required to obtain one or more alternative forms of financial assurance, or a combination thereof, such as letters of credit, pledges of real property, or cash deposits (which cash deposits could require that we incur additional debt).

Arizona permits a company to satisfy its financial assurance requirements by demonstrating sufficient financial strength rather than buying surety bonds. To date we have demonstrated our financial strength through our investment grade bond rating and by meeting certain balance sheet tests. However, our ratings are presently one level above non-investment grade and we have been placed on negative outlook for a possible downgrade by Moody's. Standard & Poor's affirmed our current rating in April 2002. If we fail to maintain an investment grade rating, we will need to provide financial assurance in Arizona by purchasing surety bonds, or to the extent surety bonds are not available to us, by another form of financial assurance.

THE BUSINESS OF MINING IS SUBJECT TO MANY RISKS.

The business of mining is subject to a number of risks and hazards, including:

- unanticipated ground and water conditions and adverse claims to water rights;
- geological problems;
- metallurgical and other processing problems;
- the occurrence of unusual weather or operating conditions and other force majeure events;
- lower than expected ore grades;
- accidents;
- delays in the receipt of or failure to receive necessary government permits;

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- delays in transportation;
- labor relations;
- unavailability of materials and equipment; and
- the failure of equipment or processes to operate in accordance with specifications or expectations.

The risks associated with mining described above could cause personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Some of these risks also impact our non-mining operations. Although we maintain and intend to continue to maintain property and liability insurance, some risks cannot be insured, and our insurance contains exclusions and limitations on coverage and may be unavailable in some circumstances.

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OUR OPERATIONS OUTSIDE THE UNITED STATES ARE SUBJECT TO THE RISKS OF DOING BUSINESS IN FOREIGN COUNTRIES.

In 2001, our international operations provided 22% of Phelps Dodge Mining Company's sales and reduced their operating loss by 8%, and provided 64% and 67% of Phelps Dodge Industries' sales and operating income, respectively. These non-U.S. activities are conducted in Canada, Latin America, Europe, Asia and Africa, and are subject to certain political and economic risks, including:

- political instability and civil strife;
- changes in foreign laws and regulations, including those relating to the environment, labor and tax;
- foreign currency fluctuations;
- expropriation or nationalization of property;
- exchange controls; and
- import, export and trade regulations.

ORE RESERVE LEVELS ARE SUBJECT TO UNCERTAINTY.

There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. The reserve data incorporated by reference in this prospectus supplement and the accompanying prospectus are in large part only estimates. The volume and grade of reserves recovered and rates of production may be less than anticipated.

Declines in the market price of a particular metal also may render the exploitation of reserves containing relatively lower grades of mineralization uneconomical. If the price we realized for a particular commodity were to decline substantially below the price at which ore reserves were calculated for a sustained period of time, we could experience reductions in reserves and asset write-downs. Under some such circumstances, we may discontinue the development of a project or mining at one or more properties. Further, changes in operating and capital costs and other factors, including but not limited to short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may reduce reserves.

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### PHELPS DODGE CORPORATION

We are the world's second largest producer of copper. We are also the world's largest producer of molybdenum and continuous-cast copper rod, and are ranked among the world's largest producers of carbon black and magnet wire. We were incorporated under the laws of New York in 1885. On October 16, 1999, we acquired Cyprus Amax Minerals Company thereby enhancing our copper assets with significant operations in the United States and South America.

Phelps Dodge consists of two divisions: (i) Phelps Dodge Mining Company and (ii) Phelps Dodge Industries.

(i) Phelps Dodge Mining Company is a business segment that includes our worldwide copper operations from mining through rod production, marketing and sales; molybdenum operations from mining through manufacturing, marketing and sales; other mining operations and investments; and worldwide mineral exploration and development programs.

(ii) Phelps Dodge Industries includes our specialty chemicals segment and our wire and cable segment.

The following discussion is based on the description of our business and properties included in our Annual Report on Form 10-K for the year ended December 31, 2001, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and more extensive information concerning us is contained in such reports. See "Incorporation by Reference" in the accompanying Prospectus.

### PHELPS DODGE MINING COMPANY

Phelps Dodge Mining Company is our international business segment that comprises a group of companies involved in vertically integrated copper operations including mining, concentrating, electrowinning, smelting and refining, rod production, marketing and sales, and related activities. Copper is sold primarily to others as rod, cathode or concentrates, and as rod to our wire and cable segment. In addition, Phelps Dodge Mining Company at times smelts and refines copper and produces copper rod for customers on a toll basis. It is also an integrated producer of molybdenum, with mining, roasting and processing facilities producing molybdenum concentrate as well as metallurgical and chemical products. In addition, it produces gold, silver, molybdenum, copper sulfate, rhenium and copper chemicals as by-products, and sulfuric acid from its air quality control facilities. This business segment also includes worldwide mineral exploration and development programs and a process technology center that directs its activities at improving existing processes and developing new cost-competitive technologies.

We produce copper concentrate from open-pit mines and concentrators located in Bagdad and Green Valley, Arizona; Silver City, New Mexico; and near Copiapo, Chile. We produce electrowon copper cathode at solution extraction/electrowinning (SX/EW) operations in Morenci, Miami, Bagdad and Green Valley, Arizona; near Tyrone and Silver City, New Mexico; near Arequipa, Peru; and near Calama, Chile.

In 2001, Phelps Dodge Mining Company produced 1,160,100 tons of copper in concentrate and electrowon form for our account from worldwide mining operations, and an additional 250,800 tons of such copper for the accounts of our minority interest joint-venture partners. Production of copper for our own account from our U.S. operations constituted approximately 52% of the copper mined in the United States in 2001. Much of our U.S. cathode copper

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production, together with additional copper purchased from others, is used to produce continuous-cast copper rod, the basic feed for the electrical wire and cable industry.

We are the world's leading producer of copper using the SX/EW process. In 2001, we produced a total of 910,000 tons of cathode copper at our SX/EW facilities, compared with 806,300 tons in 2000 and 511,500 tons in 1999. SX/EW is a cost-effective process of extracting copper from certain types of ores. SX/EW is a major factor in our continuing efforts to maintain internationally competitive costs. Our total annual capacity of electrowon copper cathode production is currently 410,000 tons at Morenci, 248,000 tons at El Abra (Chile), 75,000 tons at Chino, 75,000 tons at Tyrone, 105,000 tons at Miami, 92,000 tons at Cerro Verde (Peru), 16,000 tons at Bagdad and 35,000 tons at Sierrita (Green Valley).

We own and operate a copper smelter in Miami, Arizona, and, through Chino Mines Company, operate the Chino smelter in Hurley, New Mexico. We own a two-thirds interest in Chino Mines Company. We smelt virtually all of our share of our U.S. copper concentrate production and occasionally some concentrate production from Candelaria (Chile).

We refine our share of anode copper production from our smelters at our refineries in El Paso, Texas, and Miami, Arizona. Our Miami refinery has an annual production capacity of about 200,000 tons of copper cathode, and the El Paso refinery has an annual production capacity of about 450,000 tons of copper cathode.

We are the world's largest producer of continuous-cast copper rod, the basic feed for the electrical wire and cable industry. Most of our refined copper, and additional purchased copper, is converted into rod at our continuous-cast copper rod facilities in El Paso, Texas; Norwich, Connecticut; Miami, Arizona; and Chicago, Illinois. Our four plants have a collective annual capacity to convert more than 1.1 million tons of refined copper into rod and other refined copper products.

We own the underground Henderson molybdenum mine near Empire, Colorado. The operation consists of an underground block-caving mine where molybdenite ore is mined and transported to a conventional sulfide mill. The concentrator is capable of operating at a rate of 32,000 tons of ore per day, producing molybdenum disulfide concentrate containing up to 58% molybdenum. Most of the concentrate is shipped to our Fort Madison roasting and chemical processing facility in Iowa where a number of different products are made for final sale to customers. A portion of Henderson's production is sold to customers as molybdenum disulfide.

Molybdenum concentrate also is produced as a by-product at several of our U.S. copper operations. The concentrate is roasted to produce molybdenum oxide at one of our three roasting operations, and various molybdenum metallurgical and chemical products are produced at our four conversion facilities.

### PHELPS DODGE INDUSTRIES

Phelps Dodge Industries is our manufacturing division comprising two business segments that produce engineered products principally for the global energy, telecommunications, transportation and specialty chemicals sectors. Its operations are characterized by products with significant market share, internationally competitive costs and quality, and specialized engineering capabilities. The two segments are specialty chemicals and wire and cable.

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### SPECIALTY CHEMICALS SEGMENT

Columbian Chemicals, headquartered in Marietta, Georgia, is an international producer and marketer of carbon blacks. At Columbian Chemicals, we produce a full range of rubber and industrial carbon blacks in 12 plants worldwide, with approximately 40% of our production in North America and the remaining 60% at facilities in Europe, Asia and Latin America. Our rubber carbon blacks improve the tread wear and durability of tires and extend the service lives of many rubber products such as belts and hoses. Our industrial carbon blacks are used in such diverse applications as pigmentation of coatings, inks and plastics; ultraviolet stabilization of plastics; and as conductive insulation for wire and cable.

### WIRE AND CABLE SEGMENT

The wire and cable segment, headquartered in Coral Gables, Florida, consists of three worldwide product line businesses and a shared support services operation. The three product line businesses are magnet wire, energy and telecommunications cables, and specialty conductors.

Magnet wire, the insulated conductor used in most electrical motors, is manufactured at three plants in the United States as well as facilities in Austria, Mexico and Zambia. Energy and telecommunication cables for international markets are manufactured in factories located in 10 countries. We have majority interests in companies with production facilities in seven countries--Brazil, Chile, Costa Rica, Honduras, Thailand, Venezuela and Zambia. We also have minority interests in companies located in Hong Kong and Thailand, accounted for on the equity basis, and in companies located in Greece and India, accounted for on the cost basis. We manufacture specialty conductors at four plants in the United States and market these products to the aerospace, automotive, biomedical, computer and consumer electronics markets. The principal products are highly engineered conductors of copper and copper alloy wire electroplated with silver, tin or nickel for sophisticated, specialty product niches.

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### USE OF PROCEEDS

We estimate the net proceeds from our sale of common shares in this offering, after deducting estimated expenses of \$1.3 million, to be approximately \$398.7 million. In addition, we expect to receive net proceeds of approximately \$193.3 million from our concurrent MEDS offering after deducting estimated expenses. We intend to use the net proceeds of the offerings to repurchase or repay our outstanding debt securities through tender offers, open market purchases, privately negotiated transactions or otherwise in order to reduce interest costs, reduce debt and better coordinate debt maturities with potential growth opportunities. Our ability to effect such repurchases or repayments on acceptable terms will depend upon numerous factors including market conditions. To the extent we are unable to effect such repurchases or repayments on acceptable terms, we may also use a portion of the proceeds for other general corporate purposes. Pending such application, the proceeds will be invested temporarily in short-term marketable securities.

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### CAPITALIZATION

The following table sets forth our short-term debt and total capitalization at March 31, 2002, on an actual basis and on an as adjusted basis. The as adjusted

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data are presented in two columns. The "As Adjusted" pro forma column reflects this offering and the use of the estimated net proceeds from this offering to repurchase some of our outstanding debt securities. The "As Further Adjusted" pro forma column reflects both this offering and the concurrent MEDS offering and the use of the estimated net proceeds from this offering and the concurrent MEDS offering to repurchase some of our outstanding debt securities.

No other change in our consolidated capitalization since March 31, 2002 is reflected in the table. The financial data at March 31, 2002 in the following table are derived from our unaudited financial statements at and for the quarter ended March 31, 2002. The following data are qualified in their entirety by our financial statements and other information contained elsewhere in this prospectus supplement and the accompanying prospectus or incorporated by reference.

	MARCH 31, 2002		
	ACTUAL	AS ADJUSTED	AS FURTHER ADJUSTED
	(IN MILLIONS)		
Short-term debt:			
Short-term debt.....	\$ 54.5	\$ 54.5	\$ 54.5
Current portion of long-term debt.....	261.3	261.3	261.3
Total.....	315.8	315.8	315.8
Long-term debt.....	2,515.2	2,116.5	1,923.2
Minority interest in consolidated subsidiaries.....	59.6	59.6	59.6
6.75% Series A Mandatory Convertible Preferred Shares, \$1.00 par value per share, no shares outstanding actual, 2.0 million outstanding as adjusted.....	-	-	193.3
Common shares, \$6.25 par value per share, 200.0 million shares authorized, 78.7 million shares outstanding actual, shares outstanding as adjusted.....	492.0	554.5	554.5
Other equity.....	2,186.9	2,523.1	2,523.1
Total long-term debt, minority interest in consolidated subsidiaries, preferred shares, common shares and other equity.....	5,253.7	5,253.7	5,253.7
Total Capitalization.....	\$5,569.5	\$5,569.5	\$5,569.5

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### PRICE RANGE OF PHELPS DODGE'S COMMON SHARES AND DIVIDEND POLICY

Our common shares are listed on the New York Stock Exchange under the symbol "PD."

The following table sets forth the range of high and low closing sale prices of our common shares for the periods indicated, as reported by the New York Stock Exchange.

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	HIGH	LOW
First Quarter Ended 3/31/99.....	\$61.31	\$41.88
Second Quarter Ended 6/30/99.....	\$70.63	\$48.88
Third Quarter Ended 9/30/99.....	\$66.94	\$54.00
Fourth Quarter Ended 12/31/99.....	\$67.31	\$50.56
First Quarter Ended 3/31/00.....	\$73.00	\$44.25
Second Quarter Ended 6/30/00.....	\$53.00	\$36.06
Third Quarter Ended 9/30/00.....	\$46.75	\$36.50
Fourth Quarter Ended 12/31/00.....	\$57.00	\$40.00
First Quarter Ended 3/31/01.....	\$55.69	\$39.55
Second Quarter Ended 6/30/01.....	\$51.00	\$37.82
Third Quarter Ended 9/30/01.....	\$41.84	\$25.74
Fourth Quarter Ended 12/31/01.....	\$37.25	\$26.30
First Quarter Ended 3/31/02.....	\$42.51	\$30.50
Second Quarter (through 6/6/02).....	\$42.10	\$33.50

As of June 6, 2002, there were approximately 28,532 holders of record of our common shares.

During 1999 and 2000, the quarterly dividend rate was 50 cents on each common share. Beginning in the second quarter of 2001, the dividend was reduced to 12.5 cents on each common share. The dividend was eliminated in the fourth quarter of 2001.

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SELECTED FINANCIAL INFORMATION

With the exception of data as to Copper listed below, the following financial information for each of the five years in the period ended December 31, 2001, has been derived from our consolidated financial statements, audited by PricewaterhouseCoopers LLP, independent accountants, and previously filed with the Securities and Exchange Commission. The summary financial information in the table below as of and for the three months ended March 31, 2001 and 2002, is unaudited but in the opinion of management includes all adjustments necessary for a fair presentation. The following information should be read in conjunction with our consolidated financial statements and related notes, which are incorporated by reference. See "Incorporation by Reference" in the accompanying prospectus.

THREE MONTHS ENDED MARCH 31,		YEAR ENDED DE		
2002 (A)	2001 (B)	2001 (C)	2000 (D)	1999 (E)
(DOLLARS IN MILLIONS, EXCEPT FOR PER SHARE AND PE				

STATEMENT OF OPERATIONS DATA

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Sales and other operating revenues.....	\$ 918.5	\$1,100.7	\$4,002.4	\$4,525.1	\$3,111.1
Operating income (loss).....	7.0	34.4	(44.9)	237.0	(31.1)
Net income (loss) (h).....	(27.7)	14.2	(275.0)	29.0	(25.0)
Diluted earnings (loss) per share (h).....	\$ (0.35)	\$ 0.18	\$ (3.50)	\$ 0.37	\$ (4.35)
BALANCE SHEET DATA (AT PERIOD END)					
Current assets.....	\$1,583.1	\$1,611.2	\$1,504.2	\$1,507.6	\$1,691.1
Total assets.....	7,569.7	7,907.6	7,618.8	7,830.8	8,221.1
Total debt.....	2,831.0	2,850.2	2,851.0	2,687.7	2,751.1
Long-term debt.....	2,515.2	1,853.2	2,522.0	1,963.0	2,171.1
Shareholders' equity.....	2,678.9	3,033.9	2,707.2	3,105.0	3,271.1
OTHER DATA					
Net cash provided by (used in) operating activities.....	\$ 110.2	\$ (9.9)	\$ 302.7	\$ 511.2	\$ 201.1
Capital expenditures and investments.....	22.8	123.5	311.0	422.3	241.1
Depreciation, depletion and amortization.....	105.6	116.5	465.3	464.2	321.1
Common dividends declared.....	-	39.4	59.1	157.5	121.1
DIVISION RESULTS					
Phelps Dodge Mining Company operating income (loss).....	\$ 21.3	\$ (5.1)	\$ (92.2)	\$ 243.3	\$ (301.1)
Phelps Dodge Industries operating income.....	16.0	26.7	74.0	70.3	41.1
COPPER					
Copper production (own production--thousand tons) (i).....	257.2	294.2	1,160.1	1,200.3	891.1
Copper sales (own production--thousand tons) (i).....	268.5	289.7	1,170.8	1,200.6	881.1
LME copper price (per pound) (j).....	\$ 0.71	\$ 0.80	\$ 0.72	\$ 0.82	\$ 0.71
COMEX copper price (per pound) (k).....	\$ 0.72	\$ 0.82	\$ 0.73	\$ 0.84	\$ 0.71
Implied unit cost of copper production (per pound) (i), (l).....	\$ 0.69	\$ 0.81	\$ 0.75	\$ 0.72	\$ 0.71
Commercially recoverable copper reserves (million tons) (i), (m).....	-	-	23.0	24.1	21.1

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Notes:

(a) For the three months ended March 31, 2002:

- SPECIAL ITEMS AND PROVISIONS

In the 2002 first quarter, reported amounts include an after-tax special charge of \$22.9 million, or 29 cents per common share, for the cumulative effect of an accounting change relating to the accounting of goodwill and intangible assets; a net after-tax charge of \$12.1 million, or 15 cents per common share, for environmental provisions; and a write-down of a cost basis investment of \$0.4 million; partially offset by an after-tax special gain of \$13.1 million, or 16 cents per common share, net of fees and expenses, in recoveries associated with insurance settlements reached with companies on historic environmental claims; and a tax benefit of \$38.5 million, or 49 cents per common share, recorded as a special item, associated with the carry-back of 2001 net operating losses resulting from the March enactment of the Job Creation and Worker Assistance Act of 2002.

- BENEFIT FOR TAXES ON INCOME

Our income tax benefit for the 2002 first quarter comprised the following: (i) a tax benefit of \$38.5 million, or 49 cents per common share, recorded as a special item, associated with the carry-back of 2001

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net operating losses resulting from the March enactment of the Job Creation and Worker Assistance Act of 2002; (ii) a tax benefit of \$12.9 million, or 17 cents per share, recognized for first quarter 2002 net operating losses that, based on the new tax legislation, may also be carried back to recover prior years' taxes paid; and (iii) an expense of \$11.7 million, or 15 cents per share, for taxes on earnings at international operations.

### - ADOPTION OF NEW ACCOUNTING STANDARD--GOODWILL AND OTHER INTANGIBLE ASSETS (SFAS NO. 142)

Effective January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. As of December 31, 2001, we had goodwill of \$115.2 million less amortization of \$26.7 million for Columbian Chemicals and goodwill of \$70.8 million less accumulated amortization of \$16.2 million for wire and cable, for a total of \$143.1 million, net. Upon completion of the transitional impairment tests, the implied fair value of goodwill at three of our international wire and cable reporting units was determined to be less than the reporting units' carrying amount. This impairment loss recognized upon adoption of SFAS No. 142 was \$33.0 million, pre-tax (\$22.9 million after-tax), and has been recognized as a cumulative effect of a change in accounting principle. The pro forma effect of not amortizing goodwill on the first quarter of 2001 would have reduced goodwill amortization expense \$1.9 million, increased net income \$1.5 million, and increased basic and diluted earnings per share by 2 cents. For further discussion of our adoption of SFAS No. 142, refer to our consolidated financial statements and related notes included in our Form 10-Q for the quarter ended March 31, 2002.

(b) In the 2001 first quarter, reported amounts include an after-tax special gain of \$30.9 million, or 40 cents per common share, net of fees and expenses, in recoveries associated with insurance settlements reached on historic environmental liability claims; partially offset by a \$2.0 million charge, or 3 cents per common share, for the cumulative effect of an accounting change.

(c) For the year ended December 31, 2001, reported amounts include after-tax, special provisions of \$29.8 million, or 38 cents per common share, for restructuring activities; a net after-tax special charge for environmental provisions of \$31.1 million, or 40 cents per common share; an after-tax special charge of \$3.3 million, or 4 cents per common share, to write down the closed Hopkinsville, Kentucky, magnet wire facility; a \$12.9 million charge, or 16 cents per common share, for recognition of impairment on a cost and equity investment; an after-tax special charge of \$5.9 million, or 7 cents per common share, for miscellaneous corporate items; and an after-tax special charge of \$2.0 million, or 3 cents per common share, to record the cumulative effect of accounting change relating to the accounting for derivative instruments; partially offset by net after-tax insurance recoveries of \$61.8 million, or 79 cents per common share; an after-tax special gain of \$39.9 million, or 51 cents per common share, on the sale of our 50% interest in the Sossego Project; and an after-tax special gain of \$5.8 million, or 7 cents per common share, primarily for interest income on prior years' tax refunds.

For further discussion, refer to our consolidated financial statements and related notes included in our Form 10-K for the year ended December 31, 2001.

(d) For the year ended December 31, 2000, reported amounts include after-tax, special provisions of \$56.4 million, or 72 cents per common share, for restructuring activities; offset by an income tax refund and related interest of

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\$10.1 million, or 13 cents per common share; and an insurance settlement refund of \$3.0 million, or 4 cents per common share, relating to a former Cyprus Amax coal property.

(e) For the year ended December 31, 1999, reported amounts include after-tax, special provisions of \$224.3 million, or \$3.64 per common share, for asset impairments; \$17.8 million, or 29 cents per common share, reflecting provisions for environmental costs; \$63.9 million, or \$1.04 per common share, for costs associated with restructuring activities; and \$3.5 million, or 6 cents per common share, for the cumulative effect of an accounting change relating to the accounting for start-up costs, partially offset by an after-tax special gain of \$30.0 million, or 49 cents per common share, for an adjustment of prior year's taxes. We acquired Cyprus Amax Minerals Company on October 16, 1999.

(f) For the year ended December 31, 1998, reported amounts include an after-tax special gain of \$131.1 million, or \$2.24 per common share, from the disposition of Accuride Corporation; an after-tax special loss of \$26.4 million, or 45 cents per common share, from the sale of our 44.6% interest in a South African mining company; and a special, after-tax provision of \$5.6 million, or 10 cents per common share, for curtailments and indefinite closures primarily at Phelps Dodge Mining Company.

(g) For the year ended December 31, 1997, reported amounts include after-tax special charges of \$29.0 million, or 47 cents per common share, reflecting provisions for environmental costs, an early retirement program and asset dispositions.

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(h) Effective January 1, 2002, we adopted SFAS No. 142 as discussed in Note (a). The pro forma effect of not amortizing goodwill on net income (loss) per share for each of the periods presented is as following:

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED	
	2001	2001	2000	1999
(DOLLARS IN MILLIONS, EXCEPT FOR PER SHARE AMOUNTS)				
ADJUSTED NET INCOME (LOSS).....	\$15.7	\$ (268.8)	\$35.7	\$ (268.8)
ADJUSTED DILUTED EARNINGS (LOSS) PER SHARE.....	\$0.20	\$ (3.42)	\$0.45	\$ (3.42)

(i) Copper production and reserves and sales include that of Cyprus Amax since October 16, 1999, the effective date of acquisition.

(j) London Metal Exchange annual average spot price per pound--cathodes.

(k) New York Commodity Exchange annual average spot price per pound--cathodes.

(l) Implied unit cost of copper production is based on our all-in operating margin per pound of copper sold (i.e., our operating income (loss) before special items, divided by pounds of Phelps Dodge-mined copper sold, plus or minus the LME copper price).

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(m) We calculate commercially recoverable copper reserves annually rather than quarterly.

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### CERTAIN FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a summary of the material U.S. federal income tax consequences relevant to the purchase, ownership, and disposition of our common shares to a non-U.S. holder. The following summary is based upon current provisions of the Internal Revenue Code of 1986 (the "Code"), Treasury regulations and judicial or administrative authority, all of which are subject to change, possibly with retroactive effect. State, local and foreign tax consequences are not summarized, nor are tax consequences to special classes of investors, including, but not limited to tax-exempt organizations, insurance companies, partnerships, banks or other financial institutions, dealers in securities, persons liable for the alternative minimum tax, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons that will hold Phelps Dodge shares as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction and holders whose "functional currency" is not the U.S. dollar. Tax consequences may vary depending upon the particular status of an investor. The summary is limited to taxpayers who will hold our common shares as "capital assets" within the meaning of Section 1221 of the Code. There can be no assurance that future changes in applicable law or administrative and judicial interpretations thereof will not adversely affect the tax consequences summarized herein or that there will not be differences of opinion as to the interpretation of applicable law.

Each potential investor should consult with its own tax adviser as to the federal, state, local, foreign and any other tax consequences of the purchase, ownership, conversion, and disposition of our common shares.

As used in this discussion, the term "non-U.S. holder" means a beneficial owner of our common shares that is not a U.S. person and is not a partnership for U.S. federal income tax purposes. A U.S. person means a person that is for U.S. federal income tax purposes:

- (i) an individual who is a citizen or resident of the United States;
- (ii) a corporation or partnership created or organized in or under the laws of the United States or of any State or political subdivision thereof or therein, including the District of Columbia (other than a partnership that is not treated as a U.S. person under applicable Treasury regulations);
- (iii) an estate the income of which is subject to U.S. federal income tax regardless of the source thereof; or
- (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for a calendar year by reason of being present in the United States for at least 31 days in such calendar year and for an aggregate of at least 183 days during a three-year period ending with such current calendar year (counting for such purposes all of the days present in such current calendar year, one-third of the days present in the immediately preceding calendar year, and one-sixth of the days present in the second preceding calendar year).

DIVIDENDS

Generally, dividends paid to a non-U.S. holder with respect to our common shares will be subject to a 30% U.S. withholding tax, or such lower rate as may be specified by an applicable tax treaty, unless the dividends are (i) effectively connected with a trade or business carried on by the non-U.S. holder within the United States (and the non-U.S. holder provides the payor with a Form W-8ECI) or (ii) if a tax treaty applies, attributable to a U.S. permanent establishment maintained by the non-U.S. holder. Dividends effectively connected with such trade or business or attributable to such permanent establishment will generally be subject to U.S. federal income tax on a net basis at applicable individual or corporate rates and, in the case of a non-U.S. holder which is a corporation, may be subject to a "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder generally would be subject to U.S. withholding tax at the backup withholding rates discussed above, unless such non-U.S. holder provides to the payor a Form W-8BEN (or other applicable form) certifying the status of such holder as a nonresident of the United States.

DISPOSITIONS

A non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale, exchange or redemption of our common shares so long as:

- the gain is not effectively connected with a U.S. trade or business of the holder (or if a tax treaty applies, the gain is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the U.S. and attributable to a U.S. permanent establishment maintained by such non-U.S. holder);
- in the case of a nonresident alien individual who holds our common shares as a capital asset, such holder is not present in the U.S. for 183 or more days in the taxable year of the sale or disposition and certain other conditions are met; and
- Phelps Dodge is not and has not been a "United States real property holding corporation," within the meaning of Section 897 of the Code at any time within the shorter of the five-year period preceding such disposition or the non-U.S. holder's holding period in such common shares. Liability to tax by reason of such status is subject to detailed exceptions in favor of certain small holders (5% or less) of our common shares.

INFORMATION REPORTING AND BACKUP WITHHOLDING ON NON-U.S. INVESTORS

Payment of dividends, and the tax withheld with respect thereto, is subject to information reporting requirements. These information reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty or withholding was not required because the dividends were effectively connected with a trade or business in the United States conducted by the non-U.S. holder. Copies of the information returns reporting such dividends and withholding may also be made available under the provisions of an applicable income tax treaty or agreement to the tax authorities in the country in which the non-U.S. holder resides. As discussed above in "Dividends", United States backup withholding at the rates discussed above will generally apply on payment of dividends to non-U.S. holders unless such holders furnish to the payor a Form W-8BEN (or other applicable form), or

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otherwise establish an exemption.

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Payment by a U.S. office of a broker of the proceeds of a sale of our common shares is subject to both backup withholding and information reporting unless the non-U.S. holder, or beneficial owner thereof, as applicable, certifies that it is a non-U.S. holder on Form W-8BEN, or otherwise establishes an exemption. Subject to exceptions, backup withholding and information reporting generally will not apply to a payment of proceeds from the sale of our common shares if such sale is effected through a foreign office of a broker.

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### UNDERWRITING

J.P. Morgan Securities Inc. is acting as sole underwriter. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, J.P. Morgan Securities Inc. has agreed to purchase, and we have agreed to sell to that underwriter, 10,000,000 of our common shares.

The underwriting agreement provides that the obligation of J.P. Morgan Securities Inc. to purchase the common shares included in this offering is subject to approval of legal matters by counsel and to other conditions. J.P. Morgan Securities Inc. is obligated to purchase all the common shares if it purchases any of the common shares.

We and certain of our officers and directors have agreed that, for a period of 90 days from the date of this prospectus supplement, we and they will not without the prior written consent of J.P. Morgan Securities Inc. dispose of or hedge any of our common shares or any securities convertible into or exchangeable for our common shares. However, we may issue our MEDS in the concurrent offering (and any common shares into which the MEDS may be converted), and we may grant options to purchase common shares and issue common shares upon the exercise of outstanding options under our existing stock option plans.

J.P. Morgan Securities Inc. will purchase the common shares at a price per share of \$40. The common shares are expected to be sold by J.P. Morgan Securities Inc. to the public in one or more transactions at market prices prevailing at the time of the sale or at prices otherwise negotiated.

In connection with the offering, J.P. Morgan Securities Inc. may purchase and sell shares in the open market. These transactions may include short sales and purchases to cover positions created by short sales. Short sales involve the sale by J.P. Morgan Securities Inc. of a greater number of common shares than they are required to purchase in this offering.

Any of these activities by J.P. Morgan Securities Inc. may have the effect of preventing or retarding a decline in the market price of the common shares. They may also cause the price of the common shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If J.P. Morgan Securities Inc. commences any of these transactions, it may discontinue them at any time.

We estimate that our portion of the total expenses of this offering will be \$1.3 million.

J.P. Morgan Securities Inc. and certain of its affiliates have engaged and may continue to engage in transactions with, and have performed and may continue to

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perform, investment and commercial banking services for, us and our subsidiaries and affiliates in the ordinary course of business.

We have agreed to indemnify J.P. Morgan Securities Inc. against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments J.P. Morgan Securities Inc. may be required to make because of any of those liabilities.

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### CONCURRENT MEDS OFFERING

Concurrently with this offering of common shares, Phelps Dodge is offering \$200 million of 6.75% Series A Mandatory Convertible Preferred Shares (MEDS). The MEDS will be offered pursuant to a separate prospectus supplement. Neither offering is contingent upon the other.

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### LEGAL MATTERS

The validity of the securities offered will be passed upon for Phelps Dodge by Debevoise & Plimpton, 919 Third Avenue, New York, New York 10022 and for the underwriter by Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York 10006.

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\$750,000,000

[PHELPS DODGE CORPORATION LOGO]

COMMON SHARES  
PREFERRED SHARES  
SHARE PURCHASE CONTRACTS  
SHARE PURCHASE UNITS  
WARRANTS  
SENIOR DEBT SECURITIES  
JUNIOR SUBORDINATED DEBT SECURITIES  
  
PD CAPITAL TRUST I  
PD CAPITAL TRUST II  
PREFERRED SECURITIES  
GUARANTEED BY PHELPS DODGE CORPORATION

- By this prospectus, we may offer from time to time up to \$750,000,000 of any combination of the securities described in this prospectus.

- We will provide you with the specific terms of the securities we are offering in supplements to this prospectus. A supplement may also change or update information contained in this prospectus.

- You should read this prospectus, including the documents and other information we have referred to under the heading "Where You Can Find More Information," and the prospectus supplement relating to the specific issue of securities carefully before you invest.

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- We may only use this prospectus to sell securities if it is accompanied by a prospectus supplement.
- Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 15, 2001.

### CAUTIONARY NOTE

#### GENERAL

You should rely only on the information contained or incorporated by reference in this prospectus and in any supplement. "Incorporation by reference" means that we can disclose important information to you by referring you to another document filed separately with the SEC. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any supplement to this prospectus is current only as of the dates on their covers. Our business, financial condition, results of operations and prospects may have changed since that date.

PD Capital Trust I and PD Capital Trust II, each of which is referred to in this prospectus as a trust and which are collectively referred to as the trusts, have no independent function other than to issue securities and to purchase junior subordinated debt securities. This prospectus does not contain separate financial statements for the trusts. Phelps Dodge Corporation files consolidated financial information with the SEC that will include financial information regarding the trusts.

#### FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the documents and information incorporated by reference in them may contain forward-looking statements within the meaning of the federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements. You should be aware that these statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause our actual results to be materially different from our expectations include those discussed under the caption "Risk Factors" in each prospectus supplement. In some cases, you can identify these statements by our use of forward-looking words such as "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential" and "intend". The safe harbor provisions for forward-looking statements only apply to companies that have previously offered securities to the public. Because each trust's offer of the preferred securities constitutes each trust's initial public offering of securities, the safe harbor provisions of the federal securities laws do not apply to the trusts. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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We are the world's second largest producer of copper. We are also the world's largest producer of molybdenum and continuous-cast copper rod, and are ranked among the world's largest producers of carbon black and magnet wire. We were incorporated under the laws of New York in 1885. On October 16, 1999, we acquired Cyprus Amax Minerals Company thereby enhancing our copper assets with significant operations in the U.S. and South America.

Phelps Dodge consists of two divisions: (i) Phelps Dodge Mining Company and (ii) Phelps Dodge Industries.

(i) Phelps Dodge Mining Company is a business segment that includes our worldwide copper operations from mining through rod production, marketing and sales; molybdenum operations from mining through manufacturing, marketing and sales; other mining operations and investments; and worldwide mineral exploration and development programs.

(ii) Phelps Dodge Industries includes our specialty chemicals segment and our wire and cable segment.

The following discussion is based on the description of our business and properties included in our Annual Report on Form 10-K for the year ended December 31, 2000, and more extensive information concerning us is contained in such report. See "Incorporation by Reference" in this prospectus.

### PHELPS DODGE MINING COMPANY

Phelps Dodge Mining Company is our international business segment comprised of a group of companies involved in vertically integrated copper operations including mining, concentrating, electrowinning, smelting and refining, rod production, marketing and sales, and related activities. Copper is sold primarily to others as rod, cathode or concentrates, and as rod to our wire and cable segment. In addition, Phelps Dodge Mining Company at times smelts and refines copper and produces copper rod for customers on a toll basis. It is also an integrated producer of molybdenum, with mining, roasting and processing facilities producing molybdenum concentrate as well as metallurgical and chemical products. In addition, it produces gold, silver, molybdenum, copper sulfate, rhenium and copper chemicals as by-products, and sulfuric acid from its air quality control facilities. This business segment also includes worldwide mineral exploration and development programs.

We produce copper concentrate from open-pit mines and concentrators located in Bagdad and Green Valley, Arizona; Santa Rita, New Mexico; and near Copiapo, Chile. We produce electrowon copper cathode at solution extraction/electrowinning (SX/EW) operations in Morenci, Miami, Bagdad and Green Valley, Arizona; Santa Rita and Tyrone, New Mexico; near Arequipa, Peru; and near Calama, Chile.

In 2000, Phelps Dodge Mining Company produced 1,200,300 tons of copper in concentrate and electrowon form for our account from worldwide mining operations, and an additional 258,700 tons of such copper for the accounts of our minority interest joint-venture partners. Production of copper for our own account from our U.S. operations constituted approximately 60 percent of the copper mined in the U.S. in 2000. Much of our U.S. cathode copper production, together with additional copper purchased from others, is used to produce continuous-cast copper rod, the basic feed for the electrical wire and cable industry.

We are the world's leading producer of copper using the SX/EW process. In 2000,

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we produced a total of 806,300 tons of cathode copper at our SX/EW facilities, compared with 511,500 tons in 1999 and 430,800 tons in 1998. SX/EW is a cost-effective process of extracting copper from certain types of ores. SX/EW is a major factor in our continuing efforts to maintain internationally competitive costs. Our total annual capacity of electrowon copper cathode production is currently 410,000 tons at Morenci, 248,000 tons at El Abra (Chile), 75,000 tons at Santa Rita, 75,000 tons at Tyrone, 105,000 tons at Miami, 75,000 tons at Cerro Verde (Peru), 16,000 tons at Bagdad and 35,000 tons at Sierrita (Green Valley).

We own and operate a copper smelter in Miami, Arizona, and, through Chino Mines Company, operate the Chino smelter in Hurley, New Mexico. We own a two-thirds interest in Chino Mines Company. We smelt virtually all of our share of our U.S. copper concentrate production and occasionally some concentrate production from Candelaria.

We refine our share of anode copper production from our smelters at our refineries in El Paso, Texas, and Miami, Arizona. Our Miami refinery has an annual production capacity of about 200,000 tons of copper cathode, and the El Paso refinery has an annual production capacity of about 450,000 tons of copper cathode.

We are the world's largest producer of continuous-cast copper rod, the basic feed for the electrical wire and cable industry. Most of our refined copper, and additional purchased copper, is converted into rod at our continuous-cast copper rod facilities in El Paso, Texas; Norwich, Connecticut; Miami, Arizona; and Chicago, Illinois. Our four plants have a collective annual capacity to convert more than 1.1 million tons of refined copper into rod and other refined copper products.

We own the underground Henderson molybdenum mine near Empire, Colorado. This operation consists of an underground block-caving mine where molybdenite ore is mined and transported to a conventional sulfide mill. The concentrator is capable of operating at a rate of 32,000 tons of ore per day, producing molybdenum disulfide concentrate containing up to 58 percent molybdenum. Most of the concentrate is shipped to our Fort Madison roasting and chemical processing facility in Iowa where a number of different products are made for final sale to customers. A portion of Henderson's production is sold to customers as molybdenum disulfide.

Molybdenum concentrate also is produced as a by-product at several of our U.S. copper operations. The concentrate is roasted to produce molybdenum oxide at one of our three roasting operations, and various molybdenum metallurgical and chemical products are produced at our four conversion facilities.

### PHELPS DODGE INDUSTRIES

Phelps Dodge Industries, our manufacturing division, comprises two business segments that produce engineered products principally for the global energy, telecommunications, transportation and specialty chemicals sectors. Its operations are characterized by products with significant market share, internationally competitive costs and quality, and specialized engineering capabilities. The two segments are specialty chemicals and wire and cable.

### SPECIALTY CHEMICALS SEGMENT

Columbian Chemicals, headquartered in Marietta, Georgia, is an international producer and marketer of carbon blacks. At Columbian Chemicals, we produce a full range of rubber and industrial carbon blacks in 12 plants worldwide, with approximately 40 percent of our

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production in North America and the remaining 60 percent at facilities in Europe, Asia and Latin America. Our rubber carbon blacks improve the tread wear and durability of tires and extend the service life of many rubber products such as belts and hoses. Our industrial carbon blacks are used in such diverse applications as pigmentation of coatings, inks and plastics; ultraviolet stabilization of plastics; and conductive insulation for wire and cable.

### WIRE AND CABLE SEGMENT

The wire and cable segment, headquartered in Coral Gables, Florida, consists of three worldwide product line businesses and a shared support services operation. The three product line businesses are magnet wire, energy and telecommunications cables, and specialty conductors.

Magnet wire, the insulated conductor used in most electrical motors, is manufactured at three plants in the United States, as well as at facilities in Austria, Mexico and Zambia. Energy and telecommunication cables for international markets are manufactured in factories located in 12 countries. In Brazil and Venezuela, we wholly own companies with production facilities. Additionally, we have majority interests in companies with production facilities in five other countries--Chile, Costa Rica, Honduras, Thailand and Zambia. We also have minority interests in companies located in Hong Kong, China, Thailand and the Philippines, accounted for on the equity basis, and in companies located in Greece and India, accounted for on the cost basis. We manufacture specialty conductors at four plants in the United States, and market these products to the aerospace, automotive, biomedical, computer and consumer electronics markets. The principal products are highly engineered conductors of copper and copper alloy wire electroplated with silver, tin or nickel for sophisticated, specialty product niches.

Our principal executive offices are located at 2600 North Central Avenue, Phoenix, Arizona 85004-3089, and our telephone number is (602) 234-8100. After November 30, 2001, our principal executive offices will be located at 1 North Central Avenue, Phoenix, Arizona 85004.

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### THE TRUSTS

We created each trust as a statutory Delaware business trust pursuant to a trust agreement. We will enter into an amended and restated trust agreement for each trust, which will state the terms and conditions for the trust to issue and sell its preferred securities and common securities.

Each trust exists solely to:

- issue and sell to the public preferred securities, representing undivided beneficial interests in the assets of the trust;
- issue and sell to us common securities, representing undivided beneficial interests in the assets of the trust;
- use the gross proceeds from the sale of its preferred and common securities to purchase a series of our junior subordinated debt securities;
- distribute the cash payments it receives from the junior subordinated debt securities it owns to the holders of the preferred and common securities; and

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- engage in other activities that are necessary or incidental to these purposes.

We will purchase all of the common securities of each trust. The common securities will represent an aggregate liquidation amount equal to at least 3% of each trust's total capitalization. The preferred securities will represent the remaining approximately 97% of each trust's total capitalization. The common securities will have terms substantially identical to, and will rank equal in priority of payment with, the preferred securities. Payments will be made on both the common securities and the preferred securities when payments of interest are made on the junior subordinated debt securities, upon redemption of the junior subordinated debt securities or in some circumstances upon liquidation of the trust. However, if a default on the payments on the related junior subordinated debt securities occurs, then cash distributions and redemption, liquidation and other amounts payable on the common securities will be subordinate in priority of payment to the amounts payable on the preferred securities.

Each of the trusts is a legally separate entity and the assets of one are not available to satisfy the obligations of any of the others. We will guarantee the preferred securities as described later in this prospectus. We will appoint five trustees to conduct each trust's business and affairs:

- First Union National Bank, which will act as the property trustee;
- First Union Trust Company, N.A., which will act as the Delaware trustee; and
- Three of our officers, who will act as the administrative trustees.

We will pay all fees and expenses related to each trust and the offering of the preferred securities and will pay all ongoing costs, expenses and liabilities of each trust, except the trust's obligations under the preferred and common securities.

The trusts will not have separate financial statements. The statements would not be material to holders of the preferred securities because the trusts will not have any independent operations and exist solely for the reasons summarized above.

The principal offices of each trust will be located at c/o Phelps Dodge Corporation, 2600 N. Central Avenue, Phoenix, Arizona 85004, prior to November 30, 2001 and at 1 North Central Avenue, Phoenix, Arizona 85004 thereafter, and the telephone number of each trust will be 602-234-8100.

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### USE OF PROCEEDS

Unless stated otherwise in the applicable prospectus supplement, we will use the net proceeds from the sale of the securities for general corporate purposes, which may include financing our acquisitions, capital expenditures and daily operations and those of our subsidiaries, and refinancing debt. We may also use the proceeds for temporary investments until we need them for general corporate purposes. Unless stated otherwise in the applicable prospectus supplement, the net proceeds from the sale of the securities offered by each trust will be used by the trust to purchase a series of junior subordinated debt securities.

### RATIO OF EARNINGS TO FIXED CHARGES

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The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

	SIX MONTHS ENDED JUNE 30, 2001	YEAR ENDED DECEMBER 31,				
		2000	1999	1998	1997	1996
Ratio of Earnings to Fixed Charges(a)...	b	1.3	c	4.4	8.2	10.5

(a) For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of income before taxes, minority interests and equity in net earnings (losses) of affiliated companies and cumulative effect of accounting changes. Minority interests in majority-owned subsidiaries were not deducted from earnings as all such subsidiaries had fixed charges. Fixed charges consist of interest (including capitalized interest) on all indebtedness, amortization of debt discount and expense, and that portion of rental expense which we believe to be representative of interest. A statement setting forth the computation of the unaudited ratios of earnings to fixed charges is filed as Exhibit 12.1 to the registration statement that includes this prospectus.

(b) Fixed charges exceeded earnings for the six-month period ended June 30, 2001. As a result, the ratio coverage was less than 1:1. We would have needed to generate additional earnings of \$75.0 million to achieve a coverage of 1:1 for the period.

(c) Due to the loss recorded in 1999, the ratio coverage was less than 1:1. We would have needed to generate additional earnings of \$419.3 million to achieve a coverage of 1:1 in 1999.

### ACCOUNTING TREATMENT

Each trust will be treated as our wholly-owned subsidiary for financial reporting purposes. Accordingly, each trust's financial statements will be included in our consolidated financial statements. The preferred securities of each trust may be classified as a separate line item in our consolidated balance sheet following long-term debt but preceding shareholders' equity or may be classified as debt, with appropriate disclosures about the preferred securities included in the footnotes to the consolidated financial statements. We will record distributions payable on preferred securities as interest expense or other non-operating expense (consistent with the balance sheet classification) in our statement of consolidated operations. Included in a footnote to our consolidated financial statements will be disclosure that the sole assets of each trust are the junior subordinated debt securities, the principal amount, interest rate and maturity date of the junior subordinated debt securities held.

In October 2000, the Financial Accounting Standards Board released an exposure draft, "Accounting for Financial Instruments with Characteristics of Liabilities, Equity, or Both." The exposure draft, if enacted, would alter the accounting treatment described above by requiring the preferred securities of each trust to be classified as debt on our consolidated statements of financial position and the related distributions payable as a component of interest expense in our consolidated statements of operations.

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## DESCRIPTION OF THE COMMON SHARES

### GENERAL

Pursuant to our Restated Certificate of Incorporation, we are authorized to issue 200 million common shares having a par value of \$6.25 per share. Our common shares are listed on the New York Stock Exchange under the trading symbol "PD." The transfer and dividend paying agent and registrar for our common shares is ChaseMellon Shareholder Services, LLC.

We summarize below all of the material features of our common shares. The summary is not complete and is qualified in its entirety by all of the provisions of our Restated Certificate of Incorporation, our By-Laws and the Rights Agreement. Those documents are incorporated by reference as exhibits to the registration statement that includes this prospectus, and we encourage you to read them.

The common shares when offered by this prospectus will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

### DIVIDENDS

Subject to the preferential rights of any holders of any outstanding series of our preferred shares, each holder of common shares is entitled to receive dividends, if declared by our board of directors, out of funds that we can legally use to pay dividends.

### VOTING RIGHTS

The holders of common shares will possess exclusive voting rights in our company, except to the extent that our board of directors will have designated voting power with respect to any preferred shares issued. Each holder of common shares is entitled to one vote for each share registered in that holder's name on our books on each matter submitted for a vote of holders of common shares.

### LIQUIDATION RIGHTS

In the event of our liquidation, dissolution or winding-up, the holders of common shares will be entitled to share proportionately in the distribution of all of our assets remaining after payment of all of our debts and liabilities and of all sums to which holders of any preferred shares may be entitled.

### PREEMPTIVE RIGHTS

Holders of common shares are not entitled to preemptive rights with respect to any shares of our capital stock or other securities convertible into or carrying rights or options to purchase any of our shares.

### RIGHTS AGREEMENT

Each of our common shares, including those that may be issued in an offering under this prospectus, carries with it one preferred share purchase right. If these rights become exercisable, each right entitles the registered holder to purchase one two-hundredth of a Junior Participating Cumulative Preferred Share (subject to a proportionate decrease in the fractional number of Junior Participating Cumulative Preferred Shares that may be purchased if

a stock split, stock dividend or similar transaction occurs with respect to the

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common shares and a proportionate increase in the event of a reverse stock split). Until a right is exercised, the holder of the right has no right to vote or receive dividends or any other rights as a shareholder as a result of holding the right. The terms of the rights are described in the Rights Agreement, dated as of February 5, 1998, between us and The Chase Manhattan Bank, as rights agent. We summarize below all of the material features of the Rights Agreement. The summary is not complete and is qualified in its entirety by all of the provisions of the Rights Agreement. The Rights Agreement is incorporated by reference as an exhibit to the registration statement that includes this prospectus, and we encourage you to read it.

The rights trade automatically with our common shares. A holder of common shares may exercise the rights only under the circumstances described below. The rights are designed to protect our interests and the interests of our shareholders against coercive takeover tactics. The rights are also designed to encourage potential acquirors to negotiate with our board of directors before attempting a takeover and to increase the ability of our board of directors to negotiate terms of any proposed takeover that benefit our shareholders. The rights may, but are not intended to, deter potential acquirors from making takeover proposals.

Junior Participating Cumulative Preferred Shares will rank junior to all other series of our preferred shares, including any preferred shares offered under this prospectus, if our board of directors, in creating such preferred shares, provides that they will rank senior to the Junior Participating Cumulative Preferred Shares.

The purchase price for each one two-hundredth of a Junior Participating Cumulative Preferred Share is \$210. We must adjust the purchase price if specified events occur, such as:

- if we pay stock dividends on the Junior Participating Cumulative Preferred Shares or effect a stock split or reverse stock split with respect to the Junior Participating Cumulative Preferred Shares; or
- if we issue any shares of our capital stock in a reclassification of the Junior Participating Cumulative Preferred Shares.

Holders may exercise their rights only following a distribution date. A distribution date will occur on the earlier of the following: (1) ten days after a public announcement or we otherwise receive notice that a person or group has acquired 20% or more of our outstanding common shares or (2) ten business days (or such later date as may be determined by our board of directors) after a person or group makes or announces an offer to purchase our common shares, which, if successful, would result in that person or group owning 20% or more of our outstanding common shares. However, a distribution date will not occur, and the rights cannot be exercised, as long as our board of directors has the ability to redeem the rights, as described below.

The rights have some additional features that will be triggered upon the occurrence of specified events, including:

- if a person or group acquires 20% or more of our outstanding common shares, holders of the rights, other than such person or group, may purchase our common shares (instead of our Junior Participating Cumulative Preferred Shares) at 50% of the market value of the purchased common shares;
- if a person or group acquires 20% or more of our outstanding common shares, our board of directors may, at any time before the person or group acquires 50% or more

of the outstanding common shares, exchange all or part of the rights (other than rights held or previously held by the 20% or greater shareholder) for common shares at an exchange ratio equal to one common share per right, subject to adjustment; and

- if we are involved in specified business combinations or the sale of 50% or more of our assets or earning power, the holders of the rights may purchase common shares of the acquiror or an affiliated company at 50% of market value.

Any time before a person or group acquires 20% or more of our outstanding common shares, our board of directors may redeem the rights in whole, but not in part, at a rights redemption price of \$0.01 per right, subject to adjustment for stock dividends, stock splits and similar transactions. Our board of directors in its sole discretion may establish the effective time, basis and conditions of the redemption. Immediately upon redemption of the rights, the holder (1) can no longer exercise such rights and (2) can only receive the redemption price.

The rights will expire on February 24, 2008, unless we redeem them before then. At any time before a person or group acquires 20% or more of our outstanding common shares, our board of directors may amend the terms of the rights without the consent of the holders of the rights in any manner our board of directors deems desirable. Thereafter, our board of directors may amend the terms of the rights without the consent of the holders of the rights only if the amendment does not adversely affect the interests of the holders of the rights.

#### DESCRIPTION OF THE PREFERRED SHARES

We are authorized by our Restated Certificate of Incorporation to issue 6 million preferred shares having a par value of \$1.00 per share, of which 400,000 have been designated Junior Participating Cumulative Preferred Shares and are described below. As of today, we have not issued any preferred shares.

We summarize below all of the material features of our preferred shares. The summary is not complete and is qualified in its entirety by all of the provisions of our Restated Certificate of Incorporation, our By-Laws and the Rights Agreement. Those documents are incorporated by reference as exhibits to the registration statement that includes this prospectus, and we encourage you to read them.

Subject to limitations prescribed by the New York Business Corporation Law, our Restated Certificate of Incorporation and our By-Laws, our board of directors is authorized to fix the number of shares constituting each series of preferred shares and the designations, preferences, rights and limitations related to each series, including those provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution of our board of directors or a committee authorized by our board of directors. The preferred shares when offered by this prospectus will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights. As described above under "Description of the Common Shares -- Rights Agreement," each of our common shares carries with it one preferred share purchase right. The rights are designed to protect our interests and the interests of our shareholders against coercive takeover tactics. The rights are also designed to encourage potential acquirors to negotiate with our board of directors before attempting a takeover and to increase the ability of

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our board of directors to negotiate terms of any proposed takeover that benefit our shareholders. The rights may, but are not intended to, deter potential acquirors from making takeover proposals.

We will describe in a prospectus supplement some or all of the following terms of the series of preferred shares being offered:

- title;
- the number of shares offered;
- the liquidation preference per share;
- the purchase price;
- the dividend rates, periods and/or payment dates or methods of calculation of the dividend rates;
- whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;
- the procedures for any auction or remarketing, if any;
- the provisions for a sinking fund, if any;
- the provisions for redemption, if applicable;
- any listing of the preferred shares on any securities exchange or market;

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- the terms and conditions, if applicable, upon which the preferred shares will be convertible into our common shares, including the conversion price, or manner of calculation of the conversion price, and conversion period;
- the terms and conditions, if applicable, upon which preferred shares will be exchanged into debt securities, including the exchange price, or manner of calculating the exchange price, and the exchange period;
- voting rights, if any;
- the relative ranking and preferences of the preferred shares as to dividend rights upon liquidation, dissolution or winding up of our affairs;
- any limitations on issuance of any series of preferred shares ranking senior to or equal to the series of preferred shares as to dividend rights upon our liquidation, dissolution or winding up; and
- any other specific terms, preferences, rights, limitations or restrictions.

The applicable prospectus supplement will describe all of the material United States federal income tax considerations applicable to the particular series of preferred shares being offered.

Unless otherwise specified in the prospectus supplement, the preferred shares will, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, rank:

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- senior to all series of our common shares, and to all equity securities issued by us the terms of which specifically provide that such equity securities rank junior to the preferred shares with respect to dividend rights or rights upon our liquidation, dissolution or winding up;
- equal to all equity securities issued by us, the terms of which specifically provide that those equity securities will rank equal to the preferred shares with respect to dividend rights or rights upon our liquidation, dissolution or winding up; and
- junior to all equity securities issued by us, the terms of which specifically provide that those equity securities rank senior to the preferred shares with respect to dividend rights or rights upon our liquidation, dissolution or winding up.

### JUNIOR PARTICIPATING CUMULATIVE PREFERRED SHARES

#### GENERAL

In connection with the Rights Agreement, 400,000 Junior Participating Cumulative Preferred Shares have been reserved and authorized for issuance by our board of directors. No Junior Participating Cumulative Preferred Shares are outstanding as of the date of this prospectus. We summarize below all of the material features of our Junior Participating Cumulative Preferred Shares. The summary is not complete and is qualified in its entirety by all of the provisions of our Restated Certificate of Incorporation. That document is incorporated by reference as an exhibit to the registration statement that includes this prospectus, and we encourage you to read it.

#### RANKING

The Junior Participating Cumulative Preferred Shares shall rank junior to all other series of our preferred shares as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

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### DIVIDENDS AND DISTRIBUTIONS

Subject to the prior and superior rights of the holders of any share of any series of preferred shares ranking prior to and superior to the Junior Participating Cumulative Preferred Shares with respect to dividends, the holders of Junior Participating Cumulative Preferred Shares, in preference to the holders of common shares and of any other junior shares which may be outstanding, shall be entitled to receive, if declared by our board of directors out of funds legally available for that purpose, quarterly dividends payable in cash, in an amount per share equal to the greater of (1) \$2.50 per share (\$10.00 per annum) and (2) subject to adjustment upon certain dilutive events, 100 times the aggregate per share amount of, with certain exceptions, all cash and non-cash dividends or other distributions, declared on the common shares, since the immediately preceding quarterly dividend payment date, or, with respect to the first quarterly dividend payment date, since the first issuance of any Junior Participating Cumulative Preferred Share.

If no dividend or distribution is declared on the common shares during the period between any quarterly dividend payment date and the next subsequent quarterly dividend payment date, a dividend of \$2.50 per share (\$10.00 per annum) on the Junior Participating Cumulative Preferred Shares will nevertheless be payable on such subsequent quarterly dividend payment date.

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### VOTING RIGHTS

The holders of Junior Participating Cumulative Preferred Shares will have the following voting rights:

- subject to adjustment upon certain dilutive events, each Junior Participating Cumulative Preferred Share shall entitle the holder to 100 votes (and each one two-hundredth of a Junior Participating Cumulative Preferred Share shall entitle the holder thereof to one-half of one vote) on all matters submitted to a vote of our shareholders; and
- except as otherwise provided by law, the holders of Junior Participating Cumulative Preferred Shares and the holders of common shares shall vote together as one class.

### LIQUIDATION, DISSOLUTION OR WINDING UP

Upon our liquidation, dissolution or winding up, after distribution of the liquidation price to the holders of shares ranking senior as to distribution of assets to the Junior Participating Cumulative Preferred Shares, the holders of Junior Participating Cumulative Preferred Shares will be entitled to receive the greater of (1) \$100 per share and (2) an aggregate amount per share, subject to adjustment upon certain dilutive events, equal to 100 times the aggregate amount to be distributed per share to holders of common shares; or a pro-rata portion of such amount if the assets are not sufficient to pay the full amount.

### CONSOLIDATION, MERGER, ETC.

In the event that we enter into any consolidation, merger, combination or other transaction in which our common shares are exchanged for or changed into other stock or securities, cash and/or any other property, each Junior Participating Cumulative Preferred Share shall at the same time be similarly exchanged or changed into an amount per share (subject to adjustment

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upon certain dilutive events) equal to 100 times the aggregate amount of the instrument into which or for which each common share is changed or exchanged.

### CERTAIN RESTRICTIONS

Whenever quarterly dividends or other dividends or distributions payable on the Junior Participating Cumulative Preferred Shares are in arrears, we will not:

- declare or pay dividends, or make any other distributions, other than in common shares, on our common shares;
- purchase any Junior Participating Cumulative Preferred Shares, unless paid for with our common shares; or
- permit any entity controlled by us to purchase any of our common shares or Junior Participating Cumulative Preferred Shares;

until such accrued dividends and distributions are paid in full or an amount sufficient for such payment as been set aside.

### REDEMPTION

The shares of Junior Participating Cumulative Preferred Shares are not redeemable.

DESCRIPTION OF SHARE PURCHASE CONTRACTS  
AND SHARE PURCHASE UNITS

We summarize below the general terms and provisions of our share purchase contracts and share purchase units that may be offered by this prospectus. When we offer to sell a particular series of the share purchase contracts or share purchase units, we will describe the specific terms of the series in a supplement to this prospectus. The description in the applicable supplement to this prospectus will be a summary of all the material features of the share purchase contracts or share purchase units. Reference will be made to the share purchase contracts, and, if applicable, collateral arrangements and depositary arrangements, relating to the share purchase contracts or share purchase units, which will be filed or incorporated by reference as exhibits to the registration statement that includes this prospectus, and we encourage you to read them.

We may issue and sell, from time to time, share purchase contracts, representing contracts obligating holders to purchase from us, and for us to sell to the holders, a specified number of our common shares at a future date or dates. The price per share of our common shares may be fixed at the time the share purchase contracts are issued or may be determined by reference to a specified formula set forth in the share purchase contracts. The share purchase contracts may be issued separately or as parts of units. The share purchase units will consist of the following:

- a share purchase contract; and
- one or more of the following, each of which secures the holders' obligations to purchase the common shares under the share purchase contracts:
  - senior notes;
  - junior subordinated notes;
  - trust preferred securities; or
  - debt obligations of third parties, including U.S. treasury securities.

The share purchase contracts may require (1) us to make periodic payments to holders of the share purchase units or (2) the holders of the share purchase units to make periodic payments to us. The share purchase contracts may require holders to secure their obligations under the stock purchase contracts in a specified manner.

DESCRIPTION OF WARRANTS

We summarize below the general terms and provisions of the warrants that may be offered by this prospectus. When we offer to sell warrants, we will describe the particular terms of the warrants in a supplement to this prospectus. The description in the applicable supplement to this prospectus will be a summary of all of the material features of the warrants. Reference will be made to the warrant agreement and warrant certificate relating to such warrants. A copy of the form of warrant agreement will be filed or incorporated by reference as exhibits to the registration statement that includes this prospectus, and we

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encourage you to read them.

We may offer warrants, including warrants to purchase common shares, and warrants to purchase debt securities, as well as other types of warrants. We may issue the warrants independently or together with any other securities and the warrants may be attached to or separate from the other securities. The warrants are to be issued under warrant agreements to be entered into between us and a warrant agent, as shall be set forth in the prospectus supplement relating to the warrants being offered pursuant thereto.

The warrant agreement relating to any series of warrants will include the specific terms of the warrants. We will describe in a prospectus supplement some or all of the terms of the warrants being offered:

- the title and aggregate number of warrants;
- the price or prices at which the warrants will be issued;
- the currency or currency units or composite currencies in which the price for the warrants may be payable;
- the designation and terms of the securities for which the warrants can be exercised and the price or the manner of determining the price and currency or other consideration to purchase the securities;
- the date on which the right to exercise the warrants begins and the date on which the right expires;
- if applicable, the maximum or minimum amount of warrants that may be exercised at any one time;
- if applicable, the date on which the warrants and the related securities will be separately transferable;
- any mandatory or optional redemption provision;
- the identity of the warrant agent;
- information with respect to book-entry procedures, if any; and
- any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

The warrants will be represented by certificates. The warrants may be exchanged under the terms outlined in the warrant agreement. We will not charge any service charges for any transfer or exchange of warrant certificates, but we may require payment for tax or other governmental charges in connection with the exchange or transfer. Unless the prospectus supplement states otherwise, until a warrant is exercised, a holder will not be entitled to any payments on or have any rights with respect to the securities issuable upon exercise of the warrant. The applicable prospectus supplement will describe all of the material United States federal income tax considerations applicable to the particular series of warrants being offered.

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### DESCRIPTION OF THE DEBT SECURITIES

We may offer unsecured general obligations, which may be senior debt securities or junior subordinated debt securities. The senior debt securities and the junior subordinated debt securities are together referred to in this prospectus

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as the "debt securities." The senior debt securities will have the same rank as all of our other unsecured, unsubordinated obligations. The junior subordinated debt securities will be subordinate and junior in right of payment to the extent and in the manner set forth in the subordinated indenture to all of our senior debt as defined below under "Description of the Debt Securities--Provisions Applicable Only to Junior Subordinated Debt Securities--Subordination."

We will issue senior debt securities in one or more series under an indenture, sometimes referred to as the senior indenture, dated as of September 22, 1997 between us and The Chase Manhattan Bank, as the trustee. Pursuant to the Tripartite/Conversion Agreement, dated as of August 8, 2000, First Union National Bank succeeded The Chase Manhattan Bank as trustee under the senior indenture. The junior subordinated debt securities will be issued under an indenture, sometimes referred to as the subordinated indenture, dated as of August 11, 2000 between us and First Union National Bank, as trustee.

We summarize below all of the material features of the debt securities. The summary is not complete and is qualified in its entirety by all of the provisions of the indentures and the provisions of the Trust Indenture Act of 1939. The indentures are incorporated by reference as exhibits to the registration statement that includes this prospectus, and we encourage you to read them. You should also read the applicable prospectus supplement, which will contain additional information and may update or change some of the information below. References in parentheses below to sections or articles are to sections or articles of the indentures.

The debt securities will be issuable in one or more series pursuant to one or more indentures supplemental to the original indentures, or a resolution of our board of directors or a duly authorized committee of our board of directors. (Section 3.1 of each indenture.)

The indentures do not contain any covenants or provisions which may afford holders of debt securities protection in the event that we engage in a highly leveraged transaction or other transaction that may adversely affect the holders of the debt securities, including the incurrence or issuance of other secured or unsecured debt.

Most of our assets are owned by our subsidiaries and, accordingly, the debt securities are effectively subordinated to all existing and future liabilities of our subsidiaries. Our rights and the rights of our creditors, including holders of debt securities, to participate in any distribution of the assets of any subsidiary upon its liquidation, recapitalization or insolvency would be subject to the prior claims of the subsidiary's creditors, except to the extent that we might ourselves be a creditor with recognized claims against the subsidiary.

### GENERAL TERMS OF THE DEBT SECURITIES

The aggregate principal amount of debt securities that we may issue under the indentures is unlimited. The debt securities may be issued in one or more series. You should refer to the applicable prospectus supplement for the specific terms of the debt securities, including the following:

- title and aggregate principal amount;
- indenture under which the debt securities are issued;

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- any applicable subordination provisions;

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- percentage or percentages of principal amount at which the debt securities will be issued and percentage or percentages of principal amount payable upon declaration of acceleration of the maturity of the debt securities;
- maturity date(s);
- interest rate(s) or the method for determining the interest rate(s);
- dates on which interest will accrue or the method for determining dates on which interest will accrue and dates on which interest will be payable;
- interest deferral provisions, if any;
- conversion or exchange provisions, if any;
- place or places where principal, premium and interest will be payable;
- redemption or early repayment provisions;
- authorized denominations;
- amount of discount with which such debt securities will be issued;
- whether the debt securities will be issued in whole or in part in the form of one or more global securities;
- identity of the depository for global securities;
- whether a temporary security is to be issued with respect to the debt securities and whether any interest payable prior to the issuance of definitive debt securities of the series will be credited to the account of the persons entitled thereto;
- the terms upon which beneficial interests in a temporary global debt security may be exchanged in whole or in part for beneficial interests in a definitive global debt security or for individual definitive debt securities and the terms upon which such exchanges may be made;
- currency, currencies or currency units in which the purchase price for, the principal of and any premium and any interest on, the debt securities will be payable;
- time period within which, the manner in which and the terms and conditions upon which the purchaser of the debt securities can select the payment currency;
- securities exchange(s) on which the debt securities will be listed, if any;
- additions to or changes in the events of default with respect to the debt securities and any change in the right of the trustee or the holders to declare the principal, premium and interest with respect to such debt securities to be due and payable; and
- additional terms not inconsistent with the provisions of the indentures.

One or more series of debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. One or more series of debt

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securities may be variable rate debt securities that may be exchanged for fixed rate debt securities. The applicable prospectus supplement will describe all of the material United States federal income tax considerations applicable to the particular series of debt securities being offered.

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Debt securities may be issued where the amount of principal and/or interest payable is determined by reference to:

- the price of one or more commodities, derivatives or securities;
- one or more securities, derivatives or commodities exchange indices or other indices;
- a currency, currencies or any currency units other than the currency in which such debt securities are issued or other factors; or
- any other variable or the relationship between any variables or combination of variables.

Holders of debt securities may receive a principal amount or a payment of interest that is greater than or less than the amount of principal or interest otherwise payable on such dates, depending upon the value of the applicable currencies, commodities, securities, derivatives, indices or other factors. Information as to the methods for determining the amount of principal or interest, if any, payable on any date, and the currencies, commodities, securities, derivatives, indices or other factors to which the amount payable on such date is linked will be described in the applicable prospectus supplement.

The term "debt securities" includes debt securities denominated in U.S. dollars or, if specified in the applicable prospectus supplement, in any other freely transferable currency or units based on or relating to foreign currencies.

We expect most debt securities to be issued in fully registered form without coupons and in denominations of \$1,000 and any integral multiple of \$1,000. (Section 3.2 of each indenture.) Subject to the limitations provided in the indentures and in the prospectus supplement, debt securities which are issued in registered form may be registered, transferred or exchanged at the principal corporate trust office of the trustee or at the office or agency that we will maintain for such purpose in the Borough of Manhattan, The City of New York, without the payment of any service charge, other than any tax or other governmental charge payable in connection with the registration or transfer or exchange. (Sections 3.5 and 9.2 of each indenture.)

We may issue debt securities of any series in whole or in part in definitive form or in the form of one or more global debt securities as described below under "Global Securities." We may issue debt securities of a series at different times. In addition, we may issue debt securities within a series with terms different from the terms of other debt securities of that series. (Section 3.1(c) of each indenture.)

Subject to applicable law, we or any of our affiliates may at any time purchase or repurchase debt securities of any series in any manner and at any price. Debt securities of any series purchased by us or any of our affiliates may be held or surrendered by the purchaser of the debt securities for cancellation.

### GLOBAL SECURITIES

We expect the following provisions to apply to all debt securities.

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We may issue the debt securities of a series in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement. We will issue global securities in registered form and in either temporary or definitive form. Unless and until it is exchanged in whole or in part for the

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individual debt securities, a global security may not be transferred except as a whole by the depositary for such global security to a nominee of such depositary or by a nominee of such depositary to such depositary or another nominee of such depositary or by such depositary or any such nominee to a successor of such depositary or a nominee of such successor. (Section 2.4 of each indenture.)

The specific terms of the depositary arrangement with respect to any debt securities of a series and the rights of and limitations upon owners of beneficial interests in a global security will be described in the prospectus supplement. We expect that the provisions set forth below will generally apply to depositary arrangements.

Upon the issuance of a global security, the depositary for such global security or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the individual debt securities represented by such global security to the accounts of persons that have accounts with such depositary or its nominee. Such accounts shall be designated by the dealers, underwriters or agents with respect to the debt securities or by us if such debt securities are offered and sold directly by us. Ownership of beneficial interests in a global security will be limited to persons that have accounts with the applicable depositary, who are referred to in this prospectus as participants, or persons that may hold interests through participants. Ownership of beneficial interests in such global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depositary or its nominee with respect to interests of participants and the records of participants with respect to interests of persons other than participants. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security.

So long as the depositary for a global security, or its nominee, is the registered owner of a global security, such depositary or such nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by that global security for all purposes under the indenture governing those debt securities. Except as provided below, owners of beneficial interests in a global security will not be entitled to have any of the individual debt securities of the series represented by that global security registered in their names, will not receive or be entitled to receive physical delivery of any debt securities of such series in definitive form and will not be considered the owners or holders thereof under the indenture governing such debt securities.

Payments of principal, premium, if any, and interest, if any, on individual debt securities represented by a global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the global security representing the debt securities. Neither we, the trustee for the debt securities, any paying agent, nor the registrar for the debt securities will have any responsibility or liability for any aspect of the records relating to or payments made by the depositary or any participants on account of beneficial ownership interests in the global security for the debt securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that the depositary for a series of debt securities or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent global security representing the debt securities, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such

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global security for the debt securities as shown on the records of the depositary or its nominee. We also expect that payments by participants to owners of beneficial interests in a global security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." Such payments will be the responsibility of such participants.

If the depositary for a series of debt securities notifies us at any time that it is unwilling, unable or ineligible to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue definitive debt securities of that series in exchange for the global security or securities representing that series of debt securities. In addition, we may at any time and in our sole discretion, subject to any limitations described in the prospectus supplement relating to the debt securities, determine not to have any debt securities of a series represented by one or more global securities, and, in such event, will issue definitive debt securities of that series in exchange for the global security or securities representing that series of debt securities. If definitive debt securities are issued, an owner of a beneficial interest in a global security will be entitled to physical delivery of definitive debt securities of the series represented by that global security equal in principal amount to that beneficial interest and to have the debt securities registered in its name. Definitive debt securities of any series so issued will be issued in denominations, unless otherwise specified by us, of \$1,000 and integral multiples of \$1,000.

#### REDEMPTION OF DEBT SECURITIES

If the debt securities of a series provide for redemption at our election, unless otherwise provided in the applicable prospectus supplement, such redemption shall be on not less than 30 nor more than 60 days' notice and, in the event o