HECLA MINING CO/DE/
Form PRE 14A
March 21, 2017

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement
[ ] **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to §240.14a-12

**Hecla Mining Company**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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[ ] Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Shareholders ("Annual Meeting") of Hecla Mining Company ("we," "our," "us," "Hecla," or the "Company") will be held at the _____________________, located at _______________________, on Thursday, May 25, 2017, at 10:00 a.m., Pacific Daylight Time, for the following purposes:

1. Elect two nominees to the Board of Directors, to serve for a three-year term or until their respective successors are elected;
2. Ratify the Audit Committee's appointment of BDO USA, LLP as our independent registered public accounting firm for 2017;
3. Approve, on an advisory basis, the compensation of our named executive officers;
4. Approve, on an advisory basis, the frequency of our executive compensation approval vote;
5. Approve our Amended and Restated Hecla Mining Company Stock Plan for Nonemployee Directors, including to increase to 3,000,000, the number of shares of common stock available for issuance under such Plan;
6. Approve an amendment to our Certificate of Incorporation increasing the number of authorized shares of our common stock from 500,000,000 to 750,000,000;
7. Approve amendments to the Company's Certificate of Incorporation and Bylaws to remove certain 80% supermajority voting provisions;
8. Approve amendments to the Company's Certificate of Incorporation and Bylaws to permit shareholders to call special meetings of shareholders under certain circumstances; and
9. Transact such other business as may properly come before the meeting.

The Board of Directors ("Board") has fixed the close of business on March 27, 2017 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and at any adjournment or postponement thereof ("Record Date").

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On or about April 10, 2017, we began mailing to our shareholders of record as of the Record Date, either a Notice of Internet Availability of Proxy Materials ("Notice") containing instructions on how to access this Proxy Statement and our 2016 Annual Report ("Proxy Materials") online, or a printed copy of these Proxy Materials.

By Order of the Board of Directors

Michael B. White
Corporate Secretary
April 10, 2017

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS**

***Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on May 25, 2017.***

***This Proxy Statement and our 2016 Annual Report are available at http://www.hecla-mining.com***

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*A Message from our Independent Chairman*

Dear Fellow Shareholder:

It is the responsibility of the Board to maintain sound corporate governance practices and to oversee the Company's strategic and operational activities in a manner that protects and creates long-term shareholder value. Your Board is committed to fulfilling these duties and to keeping the interests of our shareholders and employees at the center of our priorities.

*Corporate Strategy*

Hecla's Board operates under the premise that we are elected by you, the shareholders, to oversee the long-term success of our Company. We are the ultimate decision-making body of the Company, except for those matters reserved to or shared with our shareholders, and we play a critical role in strategic planning. Management is responsible for the day-to-day operations and management of the Company.

We oversee and evaluate a very capable management team that is focused on the growth of the Company. Over the years, we have had to weather the financial markets and lower metal prices, but we believe the Company made significant progress during those difficult times, which has allowed us to prosper as the environment for mining companies improved in 2016. In both good times and bad times, Hecla remains committed to the strategic approach to creating shareholder value - consistent, long-lived production that increases and improves over time. This means we need long-life assets to profit from higher metals prices, strong geological understanding to increase reserves, and operating expertise to reduce costs and lower risks.

*Governance*

The Board, directly and through its Corporate Governance and Directors Nominating Committee ( Governance Committee ), seeks to maintain corporate governance practices that are aligned with our strategic, financial and operational goals. We do this by conducting processes at least annually to evaluate, optimize and update governance and practice guidelines.

Your Board is committed to keeping up with good corporate governance practices. In February 2017, the Board approved an amendment to its Corporate Governance Guidelines to include a director resignation policy. The policy provides that any director who is not elected by a majority of votes cast shall tender his or her resignation to the Governance Committee, which will then recommend to the Board whether to accept or reject the resignation offer, and

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the Board will act on the Governance Committee's recommendation within ninety (90) days following certification of the election results. Any director who tenders his or her resignation pursuant to this provision will not participate in the proceedings of either the Governance Committee or the Board with respect to his or her own resignation offer.

*Shareholder Outreach*

One of our priorities is listening to the views of our shareholders and considering them as we make decisions in the boardroom. We accomplish this through ongoing outreach and engagement with our shareholders. Through management, we engage with shareholders on a variety of topics. Based on this engagement, we have made significant enhancements to the Company's governance and compensation programs over the last several years.

*Board Composition and Refreshment*

Shareholders continue to express a genuine and legitimate interest in finding effective ways to ensure that boards of directors are comprised of the right people, with the right skills and qualifications, to effectively represent their interests. The issue of Board composition and refreshment is a priority of our shareholders, and we agree that refreshing the Board with new perspectives and new ideas is critical to a forward-looking and strategic Board. At the same time, it is also important to benefit from the valuable experience and familiarity that longer-serving directors bring to the boardroom. The Board is also very conscious of the benefits of diversity on the Board. Ensuring diverse perspectives, including a mix of skills, experience and backgrounds, is key to effectively representing the long-term interests of shareholders. Doing so is a top priority of the Board. In just the last year and a half, three new directors have been appointed to our Board. As a result, the average tenure for our directors has been reduced and our Board now includes a woman director.

We remain committed to ensuring your Board is composed of a highly capable and diverse group of directors, well-equipped to oversee the success of the business and effectively represent the interests of our shareholders. We will continue to seek qualified candidates that will further enhance our Board's diversity.

Your participation and your votes are important to the future of our Company. We encourage you to vote your shares in accordance with the Board's recommendations. Details of the items to be voted upon are provided throughout this Proxy Statement.

Ted Crumley

Chairman

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*A Message from our President and Chief Executive Officer*

Dear Fellow Shareholder:

On behalf of your entire Board and the management team, I deeply appreciate your support and faith in our Company. I also want to express my gratitude to our Board for its guidance and support as we execute our strategy, which we expect to yield long-term shareholder value as it has throughout 2016 and into 2017. To all our employees, please accept my appreciation for your readiness to adapt, your responsiveness, creativity and willingness to work together towards attaining that success.

*Our Responsibility*

At Hecla, our Integrated Corporate Responsibility Policy begins with the belief that a safe mine is a productive mine – each day, each shift, home safely. We will strive to guard the health and safety of our employees and the community. Second, we will be responsible environmental stewards and strive to minimize environmental effects during exploration, development and operations and then reclaim our projects to productive post mining land uses. Third, we believe that by being responsive to community needs, the Company builds trust and relationships that foster our social license to operate. This encompasses taking a mutually-beneficial approach to issues affecting the community, treating others with respect, and engaging in open and honest communication. Each of these aspects is integrated into our business planning as they are considered key to our core business strategy and continued profitability.

*Our Strategy and 2016 Accomplishments*

Our simple strategy is to explore, develop and operate properties that have consistent, long-lived production that grows and whose margins improve over time.

At the heart of our strategy is long-lived, low-cost mines: both our existing mines and acquiring assets with the ability to be long-lived, making smart investments to further extend the mine life, which in turn enables us to work toward lowering both operating and capital costs and to take advantage of the metals' price cycle.

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Building around the core of long-lived, low-cost mines are the four elements necessary to be successful. The first is metals that we mine. While our focus is primarily on silver and gold, we continue to produce a substantial amount of lead and zinc as by-products. The recent acquisitions of Rock Creek and Montanore in northwestern Montana gives us two of the largest undeveloped silver and copper deposits in North America. The advantages of this diversity include multiple revenue streams, which lowers our risk profile and provides a natural hedge with more stability and predictability of revenues, enabling us to better run our business.

Second is our committed and talented employees, many of whom have been with the Company for decades, who are working together making our mines more safe, efficient and productive.

Third is financial discipline. During my tenure as president and CEO we have issued a significant amount of equity only three times: 2003, 2008-2009, and 2013 – the latter two were to acquire new assets (Greens Creek and Casa Berardi). Over the past several years we have seen our production and reserves per share grow more than an average of our peers. Combined with low-cost growth, this disciplined approach has also created shareholder value.

Finally, our North American focused asset portfolio takes advantage of low-risk, mining-friendly jurisdictions where, by being responsive to community needs, we've built trust and relationships that foster our social license to operate.

In 2016, some of our key achievements included the following:

- silver equivalent production of 46.1 million ounces, the highest in the Company's history;[1]
- a 48% increase in silver production to 17.2 million ounces, a record, with cost of sales of $298.7 million, and cash cost after by-product credits, per silver ounce of $3.10;[2]

[1] 2016 silver equivalent calculation is based on the following prices: $17.10 for silver, $1,248 for gold, $0.85 for lead, and $0.95 for zinc.

[2] Cash cost, after by-product credits, per silver and gold ounce represents a non-GAAP measurement, a reconciliation of which to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found in Appendix F under *Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP).* It is an important operating statistic that management utilizes to

measure each mine’s operating performance. It also allows the benchmarking of performance of each mine versus those of our competitors. As a primary silver mining company, management also uses the statistic on an aggregate basis – aggregating the Greens Creek, Lucky Friday and San Sebastian mines – to compare performance with that of other primary silver mining companies. With regard to Casa Berardi, management uses cash cost, after by-product credits, per gold ounce to compare its performance with other gold mines. The statistic is also useful in identifying acquisition and investment opportunities as it provides a common tool for measuring the financial

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- a 24% increase in gold production to 233,929 ounces Company-wide, with 145,975 ounces produced at Casa Berardi; with cost of sales and other direct production costs and depreciation, depletion and amortization of $155.7 million and cash cost, after by-product credits, per gold ounce of $764;[2]
- cash provided by operating activities of $225.3 million, a 112% increase compared to 2015;
- net income of $69 million and Adjusted EBITDA of $264.6 million, a 179% and 127% increase compared to 2015;[3]
- achieved the above milestones while ending the year with a cash, cash equivalents and short-term investments balance of $198.9 million as of December 31, 2016, an increase of $43.7 million during the year;
- commenced development of the East Mine Crown Pillar ("EMCP") open pit project at Casa Berardi, with processing of ore from EMCP that began in July 2016;
- completed the #4 Shaft at Lucky Friday, the largest capital project in our history, which started in 2008;
- acquisition of Mines Management, Inc., giving us ownership of the Montanore project, a very large silver/copper project undergoing permitting in northwestern Montana; and
- the first hardrock mining company to receive independent certification under CORESafety.[4]

In 2016, Hecla celebrated its 125th anniversary. We believe our strategy and accomplishments provided Hecla's shareholders with substantial share value.

performance of other mines with varying geologic, metallurgical and operating characteristics. In addition, the Company may use it when formulating performance goals and targets under our incentive program.

[3] Adjusted EBITDA is a non-GAAP measurement, a reconciliation of which to net income (loss), the most comparable GAAP measure, can be found in Appendix F under *Reconciliation of Adjusted EBITDA (non-GAAP) to Net Income (Loss) (GAAP)*. Adjusted EBITDA is a measure used by management to evaluate the Company's operating performance but should not be considered an alternative to net income (loss), or cash provided by operating activities as those terms are defined by GAAP, and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. In addition, the Company may use it when formulating performance goals and targets under our incentive program.

[4] CORESafety is a partnership led by the members of the National Mining Association. It is an approach to mining safety and health to prevent accidents before they happen using a management system that involves leadership, management and assurance. Its objective is to have zero fatalities and a 50 percent reduction in mining's injury rate within five years (0:50:5).

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We sincerely hope you will be able to attend and participate in our Annual Meeting. We welcome the opportunity to meet with many of you and give you a firsthand report on our progress, as well as express our appreciation for your confidence and support.

Phillips S. Baker, Jr.

President and Chief Executive Officer

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PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

**May 25, 2017**

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**PROXY STATEMENT SUMMARY**

*This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all the information you should consider and you should read the entire Proxy Statement before voting. For more complete information regarding the Company's 2016 performance, please review our Annual Report on Form 10-K.*

**ADMISSION TO ANNUAL MEETING**

Only record or beneficial owners of Hecla's common stock as of the Record Date, or a valid proxy or representative of such shareholder, or an invited guest of management, may attend the Annual Meeting in person. Any shareholder, proxy or representative who wishes to attend the Annual Meeting must present the documentation described under "General Information about the Meeting – Rules for Attending the Annual Meeting" on page _____.

**PROXY PROPOSALS**

| | **Proposals** | **Board Vote Recommendation** | **Page Reference For More Information** |
|---|---|---|---|
| Proposal 1 – | Election of Two Class I Directors | **FOR** each Director Nominee | |
| Proposal 2 – | Ratification of BDO USA, LLP as the Company's Independent Registered Public Accounting Firm for 2017 | **FOR** | |
| Proposal 3 – | Advisory Vote on Executive Compensation | **FOR** | |
| Proposal 4 – | Advisory Vote on Frequency of Vote on Executive Compensation | **ANNUAL** | |
| Proposal 5 – | Approval of Amended and Restated Hecla Mining Company Stock Plan for Nonemployee Directors, including to Increase to 3,000,000 the Number of Shares of Common Stock Available for Issuance under the Hecla Mining Company Stock Plan for Nonemployee Directors | **FOR** | |
| Proposal 6 – | Amendment to the Company's Certificate of Incorporation to Increase the Number of Authorized Shares | **FOR** | |
| Proposal 7 – | Approval of Amendments to the Company's Certificate of Incorporation and Bylaws to Remove Certain 80% Supermajority Voting Provisions | **FOR** | |
| Proposal 8 – | Approval of Amendments to the Company's Certificate of Incorporation and Bylaws to Permit Shareholders to Call Special Meetings of Shareholders Under Certain Circumstances | **FOR** | |

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**CLASS I DIRECTOR NOMINEES TO SERVE UNTIL THE 2020 ANNUAL MEETING**

Our Board is composed of nine members divided into three classes, with each class serving a term of three years. Our director, Dr. Anthony P. Taylor, has reached the mandatory retirement age of 75 and will not be standing for re-election at the Annual Meeting. The size of the Board will be reduced to eight at the Annual Meeting.

The Board and the Governance Committee believe the two director nominees (Baker and Johnson) possess the necessary qualifications to provide effective oversight of our business and quality advice and counsel to the Company's management.

The following table summarizes important information about each director nominee standing for re-election to the Board for a three-year term expiring in 2020.

| Class I Director Nominees | Experience and Qualifications |
|---|---|
| **Phillips S. Baker, Jr.** (age 57)<br>Director since 2001<br>Chairman of the Executive Committee<br>Serves on one other public company board | · Public company board service<br>· CEO/administration and operations<br>· Finance<br>· Industry and mining experience<br>· Reputation in the industry<br>· Legal |
| **George R. Johnson** (age 68)<br>Independent Director since 2016<br>Retired mining executive<br>Serves on one other public company board | · Public company board service<br>· Industry and mining experience<br>· International business<br>· Leadership/executive officer experience<br>· Reputation in the industry<br>· Mining engineering |

**CORPORATE GOVERNANCE HIGHLIGHTS**

We are committed to good corporate governance practices and believe that Proposals 7 and 8 are in the best interests of our shareholders. We believe that if passed they would enhance Board and management accountability and help build public trust in the Company. In addition to Proposals 7 and 8 described beginning on pages ___ and ____, respectively, the *Corporate Governance and Related Matters* section beginning on page ____ further describes our current governance framework, which includes the following highlights:

**SHAREHOLDER RIGHTS**

| | |
|---|---|
| **Director Resignation Policy** | Directors who receive more “Against” votes than “For” votes must tender their resignation to the Board for consideration. |
| **No Poison Pill** | We do not have a shareholder rights plan (commonly referred to as a “poison pill”). |
| **Majority Voting for Director Elections** | Directors are elected by a majority of votes cast, which increases Board accountability to shareholders. |

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**BOARD STRUCTURE**

| | |
|---|---|
| **Governance Policies** | Our Corporate Governance Guidelines provide shareholders with information regarding the best practice principles of our corporate governance program and Board framework. |
| **Board Refreshment and Tenure** | We added two new directors in 2016 and one new director in 2017, thereby reducing the average tenure of the Board from 11 years to approximately 9 years. |
| **90% Independent** | Eight of nine directors are independent, including the Audit, Compensation, and Governance Committee members. |
| **Independent Chairman of the Board** | The positions of CEO and Chairman of the Board are held by separate persons. The Board believes this structure is optimal for the Company because it allows the CEO to focus on leading the Company's business and operations, and the Chairman to focus on broader strategies and leading the activities of the Board. |
| **Regular Executive Sessions of Independent Directors** | Executive sessions of non-management directors are included on the agenda for every regularly scheduled Board meeting. |
| **Committee Governance** | Our Board committees have written charters that clearly establish their respective roles and responsibilities, and are comprised exclusively of independent directors. Committee composition and charters are reviewed annually by our Board. |
| **Mandatory Retirement** | We have a mandatory director retirement age of 75, which helps ensure regular refreshment of our Board. |
| **Annual Performance Evaluations** | Our Governance Committee oversees an annual performance evaluation of our Board, while the Committees perform their own self-evaluations on an annual basis. |
| **Access to Management and Experts** | Our Board and Committees have complete access to all levels of management and can engage advisors at our expense, giving them access to employees with direct responsibility for managing our Company and experts to help them fulfill their oversight responsibilities on behalf of our shareholders. |
| **Succession Planning** | Our Board's Compensation Committee and/or our full Board reviews potential CEO and other senior executive successors annually to develop our future leaders and ensure we can sustain business continuity, if any of these key employees were to leave our Company. |

**EXECUTIVE COMPENSATION**

| | |
|---|---|
| **Stock Ownership Guidelines** | We have rigorous share ownership guidelines for our Section 16(b) officers and our directors. |
| **Annual Say-on-Pay Vote** | Shareholders have the opportunity annually to cast an advisory vote on our executive compensation. In Proposal 4 of this Proxy Statement, the Board is recommending that the shareholders continue to have the opportunity to cast an annual advisory vote on our executive compensation. |
| **At-Risk, Performance-Based Compensation** | 84% of CEO and 74% of NEO pay is at-risk[5]. Over 68% of total compensation for the CEO is performance-based and 54% of total compensation for the other NEOs is performance-based. |
| **Stock Awards** | We grant restricted stock units to retain our senior executives and align their interests with long-term interests of our shareholders. The restricted stock units vest in equal amounts with annual vesting dates over a three-year period. |

[5] Pay at-risk refers to the portion of an employee's compensation that is variable, and therefore "at-risk" of not being paid out. This "at-risk pay" is typically performance-based, and is in contrast to the fixed pay (salary) that the NEO receives as a condition of employment.

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| **Change in Control Agreements** | Our change in control agreements are double-trigger and contain no excise tax gross-up provision. |
| **Insider Trading Policy** | Our Insider Trading Policy prohibits all directors, executive officers and certain other employees from purchasing or selling any Company securities three weeks before through two days after the public release of any of our periodic results, or at any other time during the year while in possession of material non-pubic information about the Company. |
| **Anti-hedging and Anti-pledging policies** | Our Insider Trading Policy provides that directors and officers are prohibited from hedging or pledging any securities of the Company. |
| **Clawback Policy** | Each of the Company's incentive plans (Annual Incentive Plan, Long-term Incentive Plan, Key Employee Deferred Compensation Plan, and 2010 Stock Incentive Plan) have clawback provisions. |

**SHAREHOLDER OUTREACH**

Over the last several years we have undertaken significant shareholder outreach efforts in order to elicit and understand the concerns of our shareholders. After implementing certain changes in 2014 and 2015 to our executive compensation program, our 2016 say-on-pay vote received 81% support. The Compensation Committee believes the changes made in 2014 and 2015 impacted the vote because they were responsive to the feedback from investors and proxy advisory firms, and enhanced the performance orientation of our executive compensation program. The current frequency of shareholder advisory votes on executive compensation is every year.

Once again, in advance of our 2017 Annual Meeting, we engaged with our shareholders and others to seek their feedback. We held one-on-one discussions with shareholders holding over 50,000,000 shares of our common stock, as well as a face-to-face discussion with one of the proxy advisory firms. The response was overwhelmingly supportive to the changes we made to our executive compensation program in 2014 and 2015. The results of this engagement, and the Compensation Committee's ongoing efforts to ensure a strong alignment between executive pay and Company performance, led the committee to make no substantive changes to its executive compensation program in 2016. However, in December 2015, due to budget reductions for 2016, our Chief Executive Officer's ("CEO") base salary was reduced by 20%, and all base salaries for other named executive officers ( NEOs ) were reduced by 10%, effective through all of calendar year 2016. In addition, our Board's annual cash payments were reduced by 10% through calendar year 2016.

In addition to seeking input on our compensation practices, our shareholder outreach program seeks to identify corporate governance matters that are of concern primarily to our shareholders, but also to the major proxy advisory firms.

During our shareholder outreach in 2015 and 2016, three corporate governance issues were discussed with our shareholders: (i) the ability of shareholders to call special meetings, (ii) the 80% supermajority voting requirement to amend provisions in our Certificate of Incorporation and Bylaws impacting special meetings, and (iii) the absence of a director resignation policy.

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At our 2014 Annual Meeting, we asked shareholders to vote on a proposal to amend our Certificate of Incorporation and Bylaws to permit shareholders to call special meetings under certain circumstances. Under our Certificate of Incorporation, this change required the approval by holders of 80% of our outstanding shares of common stock, yet we only received approval from 41%. We again submitted this proposal at last year's Annual Meeting and only received approval from 47%. In addition, last year we added another proposal to amend our Certificate of Incorporation and Bylaws to change the required approval of certain amendments to those documents relating to the ability to call a special meeting from 80% to a two-thirds voting standard. This change also required the approval by holders of 80% of our outstanding shares of common stock, and we only received approval from 46%. In a continued effort to show our support of shareholder feedback, we are again adding these two proposals to the ballot for shareholders to approve at the 2017 Annual Shareholder Meeting.