GENESIS ENERGY LP
Form S-3
January 22, 2010
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As filed with the Securities and Exchange Commission on January 22, 2010.

Registration No. 333-______

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Genesis Energy, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**5171**	**76-0513049**
		(IRS Employer

(State or other jurisdiction of incorporation or organization)	*(Primary Industrial Classification Code Number)*	*Identification No.)*

919 Milam, Suite 2100

Houston, Texas 77002

(713) 860-2500

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Ross A. Benavides

919 Milam, Suite 2100

Houston, Texas 77002

Telephone: (713) 860-2500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy To:

J. Vincent Kendrick

Akin Gump Strauss Hauer & Feld LLP

1111 Louisiana Street, 44th Floor

Houston, Texas 77002

Telephone: (713) 220-5839

Approximate Date of Commencement of Proposed Sale to the Public: From time to time after the registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Offering Price Per Unit(2)**	**Proposed Maximum Aggregate Offering Price(2)**	**Amount of Registration Fee**
Common Units(1)	4,028,096	$20.76	$83,623,273	$5,962
Total			$83,623,273	$5,962

(1) The securities registered consist of 4,028,096 common units of limited partner interests authorized by the registrant s partnership agreement as may be sold by the selling unitholders described herein from time to time at indeterminate prices. Pursuant to Rule 416(a), the number of common units being registered shall be adjusted to include any additional common units that may become issuable as a result of any unit distribution, split, combination or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 on the basis of the average of the high and low sales prices for a common unit on January 20, 2010 as reported on the NYSE Amex.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated January 22, 2010

Prospectus

4,028,096 Common Units

Representing Limited Partner Interests

This prospectus relates to 4,028,096 of our common units that may be offered from time to time up to specified limits by one or more of the selling unitholders identified in this prospectus or in any supplement to this prospectus. See the sections of this prospectus entitled Selling Unitholders and Plan of Distribution.

The common units are being registered to permit the selling unitholders to sell the common units from time to time in registered transactions. The selling unitholders may sell the common units through ordinary brokerage transactions, directly to market makers or through any other means described in the section of this prospectus entitled Plan of Distribution, including through sales to underwriters or dealers (in which case this prospectus will be accompanied by a prospectus supplement listing any underwriters, the compensation to be received by the underwriters, and the total amount of money that the selling unitholders will receive in such sale after expenses of the offering are paid).

Each selling unitholder may elect to sell all, a portion or none of the common units it offers hereby. Each selling unitholder will determine the prices and terms of the sales at the time of each offering made by it, and will be responsible for any fees, discounts or selling commissions due to brokers, dealers or agents. We will pay all of the other offering expenses. We will not receive any of the proceeds from any sale of the common units sold pursuant to this prospectus.

You should carefully read this prospectus (including information incorporated herein by reference) and any supplement before you invest. You also should read the documents we have referred you to in the section of this prospectus entitled Where You Can Find More Information for information on us and our financial statements.

Our common units are listed on the NYSE Amex under the symbol GEL.

Investing in our common units involves risks. Limited partnerships are inherently different from corporations. You should carefully consider the Risk Factors beginning on page 2 of this prospectus and contained in any applicable prospectus supplement and in the documents incorporated by reference herein and therein before you make an investment in our common units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2010.

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ABOUT THIS PROSPECTUS

This prospectus, including any information incorporated by reference herein, is part of a registration statement on Form S-3 that we have filed with the Securities and Exchange Commission, or the Commission or SEC, using a shelf registration or continuous offering process. Under this shelf registration process, the selling unitholders named in this prospectus or in any supplement to this prospectus may offer from time to time up to 4,028,096 common units representing limited partner interests. This prospectus provides you with a general description of the common units the selling unitholders may offer. A selling unitholder may sell none, some or all of its common units offered by this prospectus. A selling unitholder may provide a prospectus supplement containing specific information about the terms of a particular offering. A prospectus supplement may also add to, update or change information in this prospectus. The information in this prospectus is accurate as of the date on the cover page. You should read carefully the section entitled Information Regarding Forward-Looking Information summarized on page 35. If the description of the offering varies between the prospectus supplement and this prospectus, you should rely on the information in the prospectus supplement. Therefore, you should carefully read both this prospectus and any applicable prospectus supplement, together with additional information described under the heading Where You Can Find More Information before you invest in our common units. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

Unless the context otherwise requires, references in this prospectus to Genesis Energy, L.P., Genesis, we, our, us or like terms refer to Genesis Energy, L.P. and its operating subsidiaries and joint ventures; Denbury or Denbury Resources means Denbury Resources Inc. and its subsidiaries; CO_2 *means carbon dioxide; and NaHS, which is commonly pronounced as nash, means sodium hydrosulfide.*

GENESIS ENERGY, L.P.

We are a growth-oriented limited partnership focused on the midstream segment of the oil and gas industry in the Gulf Coast region of the United States, primarily Texas, Louisiana, Arkansas, Mississippi, Alabama and Florida. We have a diverse portfolio of customers, operations and assets, including refinery-related plants, pipelines, storage tanks and terminals, trucks and truck terminals and inland marine barges. We provide services to refinery owners; oil, natural gas and CO_2, producers; and industrial and commercial enterprises that use CO_2 and other industrial gases.

Denbury, through its subsidiaries, owns all of the Class A membership interest in our general partner. In December of 2009, Denbury entered into an agreement to sell all of its Class A membership interest in our general partner to an affiliate of Quintana Capital Group, L.P., which upon closing will result in that affiliate of Quintana becoming our general partner. The closing of that transaction is subject to certain conditions, including obtaining certain consents. For additional information, see our Current Report on Form 8-K filed December 23, 2009.

We were formed in 1996. Our executive offices are located at 919 Milam, Suite 2100, Houston, Texas 77002, and our telephone number is (713) 860-2500.

For additional information regarding our business properties and financial condition, please refer to the documents referenced in the section entitled Where You Can Find More Information.

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RISK FACTORS

An investment in our common units involves risks. You should consider carefully the risk factors and other information included in, or incorporated by reference into, this prospectus and any applicable prospectus supplement in evaluating an investment in our common units. This prospectus also contains forward-looking statements that involve risks and uncertainties. If any of these risks occur, our business, financial condition or results of operation could be adversely affected. Please read Information Regarding Forward-Looking Statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors.

USE OF PROCEEDS

The common units to be offered and sold using this prospectus will be offered and sold by the selling unitholders named in this prospectus or in any supplement to this prospectus. We will not receive any proceeds from the sale of such common units.

DETERMINATION OF OFFERING PRICE

Any offering and sale under this prospectus may be made on one or more national securities exchanges or in the over-the-counter market, or otherwise at prices and on terms then prevailing or at prices related to the then-current market price, or in negotiated transactions.

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DESCRIPTION OF OUR COMMON UNITS

Our common units represent limited partner interests in Genesis Energy, L.P. that entitle the holders to participate in our cash distributions and to exercise the rights or privileges available to limited partners under our partnership agreement.

Our outstanding common units are listed on the NYSE Amex under the symbol GEL.

The transfer agent and registrar for our common units is American Stock Transfer & Trust Company.

Status as Limited Partner or Assignee. Except as described under Limited Liability, the common units will be fully paid, and the unitholders will not be required to make additional capital contributions to us.

Transfer of Common Units. Each purchaser of common units offered by this prospectus must execute a transfer application. By executing and delivering a transfer application, the purchaser of common units:

- becomes the record holder of the common units and is an assignee until admitted into our partnership as a substituted limited partner;
- automatically requests admission as a substituted limited partner in our partnership;
- agrees to be bound by the terms and conditions of, and executes, our partnership agreement;
- represents that he has the capacity, power and authority to enter into the partnership agreement;
- grants powers of attorney to officers of the general partner and any liquidator of our partnership as specified in the partnership agreement; and
- makes the consents and waivers contained in the partnership agreement.

An assignee will become a substituted limited partner of our partnership for the transferred common units upon the consent of our general partner and the recording of the name of the assignee on our books and records. The general partner may withhold its consent in its sole discretion.

Transfer applications may be completed, executed and delivered by a purchaser s broker, agent or nominee. We are entitled to treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holders rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired, the purchaser has the right to request admission as a substituted limited partner in our partnership for the purchased common units. A purchaser of common units who does not execute and deliver a transfer application obtains only:

- the right to assign the common unit to a purchaser or transferee; and
- the right to transfer the right to seek admission as a substituted limited partner in our partnership for the purchased common units.

Thus, a purchaser of common units who does not execute and deliver a transfer application:

will not receive cash distributions or federal income tax allocations, unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application; and

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may not receive some federal income tax information or reports furnished to record holders of common units.

Until a common unit has been transferred on our books, we and the transfer agent, notwithstanding any notice to the contrary, may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

Limited Liability. Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Revised Uniform Limited Partnership Act (the Delaware Act) and that he otherwise acts in conformity with the provisions of our partnership agreement, his liability under the Delaware Act will be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to us for his common units plus his share of any undistributed profits and assets. If it were determined, however, that the right or exercise of the right by the limited partners as a group:

- to remove or replace the general partner;
- to approve some amendments to our partnership agreement; or
- to take other action under our partnership agreement

constituted participation in the control of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under Delaware law, to the same extent as the general partner. This liability would extend to persons who transact business with us and who reasonably believe that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of the general partner. While this does not mean that a limited partner could not seek legal recourse, we have found no precedent for this type of a claim in Delaware case law.

Under the Delaware Act, a limited partnership may not make a distribution to a partner if after the distribution all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of our partnership, exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to our partnership, except the assignee is not obligated for liabilities unknown to him at the time he became a limited partner and which could not be ascertained from our partnership agreement.

Meetings; Voting. Except as described below regarding a person or group owning 20% or more of any class of units then outstanding, unitholders or assignees who are record holders of units on the record date will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited. Common units that are owned by an assignee who is a record holder, but who has not yet been admitted as a limited partner, will be voted by our general partner at the written direction of the record holder. Absent direction of this kind, the common units will not be voted, except that, in the case of common units held by our general partner on behalf of non-citizen assignees, our general partner will distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

Our general partner does not anticipate that any meeting of unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the unitholders may be taken either at a meeting of the unitholders or without a meeting if consents in writing describing the action so taken are signed by holders of the number of units as would be necessary to authorize or take that action at a meeting. Meetings of the unitholders may be called by our general partner or by unitholders owning at least 20%

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of the outstanding units of the class for which a meeting is proposed. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called represented in person or by proxy shall constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum shall be the greater percentage.

Each record holder of a unit has a vote according to his percentage interest in our partnership, although additional limited partner interests having special voting rights could be issued. However, if at any time any person or group, other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates or a person or group who acquires the units with the prior approval of the board of directors, acquires, in the aggregate, beneficial ownership of 20% or more of any class of units then outstanding, the person or group will lose voting rights on any matter relating to the succession, election, removal, withdrawal, replacement or substitution of the general partner and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes, determining the presence of a quorum or for other similar purposes *if* the matter to be voted on relates to the succession, election, removal, withdrawal, replacement or substitution of the general partner. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of common units under our partnership agreement will be delivered to the record holder by us or by the transfer agent.

Books and Reports. Our general partner is required to keep appropriate books of our business at our principal office. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and fiscal reporting purposes, our fiscal year is the calendar year.

We will furnish or make available to record holders of common units, within 120 days after the close of each fiscal year (or such shorter period as the Commission may prescribe), an annual report containing audited financial statements and a report on those financial statements by our independent public accountants. Except for our fourth quarter, we will also furnish or make available unaudited financial information within 90 days after the close of each quarter.

We will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of partners can be avoided. Our ability to furnish this summary information to unitholders will depend on the cooperation of unitholders in supplying us with specific information. Every unitholder will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns, regardless of whether he supplies us with information.

Our partnership agreement provides that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable demand and at his own expense, have furnished to him:

- a current list of the name and last known address of each partner;
- a copy of our tax returns;
- information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each partner and the date on which each became a partner;
- copies of our partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed;
- information regarding the status of our business and financial condition; and

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any other information regarding our affairs as is just and reasonable.

Our general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our general partner believes in good faith is not in our best interests or which we are required by law or by agreements with third parties to keep confidential.

Summary of Partnership Agreement. For a summary of the important provisions of our partnership agreement, many of which apply to holders of common units, see Description of Our Partnership Agreement in this prospectus.

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CASH DISTRIBUTION POLICY

Distributions of Available Cash

General. Within approximately 45 days after the end of each quarter, Genesis Energy, L.P. will distribute all available cash to unitholders of record on the applicable record date. However, there is no guarantee that we will pay a distribution on the common units in any quarter, and we will be prohibited from making any distributions to unitholders if it would cause an event of default, or if an event of default then exists, under our credit facility.

Definition of Available Cash. Available cash generally means, for each fiscal quarter, all cash on hand at the end of the quarter:

- less the amount of cash reserves that the general partner determines in its reasonable discretion is necessary or appropriate to:
  - provide for the proper conduct of our business;
  - comply with applicable law, any of our debt instruments, or other agreements; or
  - provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters;
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings. Working capital borrowings are generally borrowings that are made under our credit facility and in all cases are used solely for working capital purposes or to pay distributions to partners.

Operating Surplus and Capital Surplus

General. All cash distributed to unitholders will be characterized either as operating surplus or capital surplus. We distribute available cash from operating surplus differently than available cash from capital surplus.

Maintenance capital expenditures are capital expenditures made to maintain, over the long term, the operating capacity of our assets as they existed at the time of the expenditure. Expansion capital expenditures are capital expenditures made to increase over the long term the operating capacity of our assets as they existed at the time of the expenditure. The general partner has the discretion to determine how to allocate a capital expenditure for the acquisition or expansion of our pipeline systems, storage facilities and related assets between maintenance capital expenditures and expansion capital expenditures, and its good faith allocation will be conclusive. Maintenance capital expenditures reduce operating surplus, from which we pay the minimum quarterly distribution, but expansion capital expenditures do not.

Definition of Operating Surplus. For any period, operating surplus generally means:

- our cash balance on the closing date of our initial public offering; plus
- $20.0 million (as described below); plus
- all of our cash receipts since the closing of our initial public offering, excluding cash from borrowings that are not working capital borrowings, sales of equity and debt securities and sales or other dispositions of assets outside the ordinary course of business; plus

working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for that quarter; less

all of our operating expenses since the closing of our initial public offering, including the repayment of working capital borrowings and the payment of capital expenditures, other than:

repayments of indebtedness that are required in connection with the sale or other disposition of assets or that are made in connection with the refinancing or refunding of indebtedness with the proceeds from new indebtedness or from the sale of equity securities;

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- expansion capital expenditures;
- transaction expenses relating to borrowings or refinancings of indebtedness (other than for working capital purposes), sales of debt or equity securities or sales or other dispositions of assets other than in the ordinary course of business; less

the amount of cash reserves that the general partner deems necessary or advisable to provide funds for future operating expenditures.

Definition of Capital Surplus. Capital surplus will generally be generated only by:

- borrowings other than working capital borrowings;
- sales of debt and equity securities; or
- sales or other disposition of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or as part of normal retirements or replacements of assets.

Characterization of Cash Distributions. We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. We do not anticipate that we will make any distributions from capital surplus. As reflected above, operating surplus includes $20.0 million in addition to our cash balance on the closing date of our initial public offering, cash receipts from our operations and cash from working capital borrowings. This amount does not reflect actual cash on hand at closing that is available for distribution to our unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to $20 million of cash we receive in the future from non-operating sources, such as assets sales, issuances of securities and long-term borrowings, which would otherwise be considered distributions of capital surplus. Any distributions of capital surplus would trigger certain adjustment provisions in our partnership agreement as described below. See Distributions From Capital Surplus and Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels.

Distributions of Available Cash From Operating Surplus

We will make distributions of available cash from operating surplus in the following manner:

- *First*, 98% to all unitholders, pro rata, and 2% to the general partner until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- Thereafter, in the manner described under Incentive Distribution Rights below.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner holds all of the incentive distribution rights. There are no restrictions on the ability of our general partner to transfer the incentive distribution rights.

If for any quarter we have distributed available cash from operating surplus to the common unitholders in an amount equal to the minimum quarterly distribution, then we will distribute any additional available cash from operating surplus for that quarter among the unitholders and the general partner in the following manner:

First, 98% to all unitholders, pro rata, and 2% to the general partner, until each unitholder receives a total of $0.25 per unit for that quarter (the first target distribution);

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Second, 84.74% to all unitholders, pro rata, 13.26% to the holder of the incentive distribution rights and 2% to the general partner, until each unitholder receives a total of $0.28 per unit for that quarter (the second target distribution);

Third, 74.53% to all unitholders, pro rata, 23.47% to the holder of the incentive distribution rights and 2% to the general partner, until each unitholder receives a total of $0.33 per unit for that quarter (the third target distribution); and

Thereafter, 49.02% to all unitholders, pro rata, 48.98% to the holder of the incentive distribution rights and 2% to the general partner.

Percentage allocations of available cash from operating surplus

The following table illustrates the percentage allocations of the additional available cash from operating surplus between the unitholders and our general partner up to the various target distribution levels. The amounts set forth under Marginal Percentage Interest in Distributions are the percentage interests of our general partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column Total Quarterly Distribution Target Amount, until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

		Marginal Percentage Interest in Distributions		
	Total Quarterly Distribution Target Amount	Unitholders	General Partner	Holder of Incentive Distribution Rights
Minimum Quarterly Distribution	up to $0.20	98%	2%	
First Target Distribution	above $0.20 up to $0.25	98%	2%	
Second Target Distribution	above $0.25 up to $0.28	84.74%	2%	13.26%
Third Target Distribution	above $0.28 up to $0.33	74.53%	2%	23.47%
Thereafter	above $0.33	49.02%	2%	48.98%

Distributions from Capital Surplus

We will make distributions of available cash from capital surplus, if any, in the following manner:

First, 98% to all unitholders, pro rata, and 2% to the general partner, until we distribute for each common unit that was issued in the initial public offering, an amount of available cash from capital surplus equal to the initial public offering price; and

Thereafter, we will make all distributions of available cash from capital surplus as if they were from operating surplus.

Effect of a Distribution from Capital Surplus. The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from the initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per unit is referred to as the unrecovered initial unit price. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the minimum quarterly distribution, after any of these distributions are made, it may be easier for the general partner to receive incentive distributions.

Once we distribute capital surplus on a unit in an amount equal to the initial unit price, we will reduce the minimum quarterly distribution and the target distribution levels to zero and we will make all future distributions from operating surplus, with 49.02% being paid to the unitholders and 50.98% to the general partner.

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Adjustment of Minimum Quarterly Distribution and Target Distribution Levels

In addition to adjusting the minimum quarterly distribution and target distribution levels to reflect a distribution of capital surplus, if we combine our units into fewer units or subdivide our units into a greater number of units, we will proportionately adjust:

- the minimum quarterly distribution;
- the target distribution levels; and
- the unrecovered initial unit price.

For example, if a two-for-one split of the common units should occur, the minimum quarterly distribution, the target distribution levels and the unrecovered initial unit price would each be reduced to 50% of its initial level. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or if existing law is modified or interpreted in a manner that causes us to become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the minimum quarterly distribution and the target distribution levels by multiplying the same by one minus the sum of the highest marginal federal corporate income tax rate that could apply and the effective overall state and local income tax rates. For example, if we became subject to a maximum marginal federal, and effective state and local income tax rate of 38%, then the minimum quarterly distribution and the target distributions levels would each be reduced to 62% of their previous levels.

Distributions of Cash Upon Liquidation

If we dissolve in accordance with our partnership agreement, we will sell or otherwise dispose of our assets in a process called a liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the unitholders and the general partner, in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

Manner of Adjustment for Gain. The manner of the adjustment is set forth in the partnership agreement. Upon liquidation, we will allocate any gain to the partners in the following manner:

- *First*, to our general partner and the holders of units who have negative balances in their capital accounts to the extent of and in proportion to those negative balances;
- *Second*, 98% to the common unitholders, pro rata, and 2% to the general partner, until the capital account for each common unit is equal to the sum of:

  (1) the unrecovered initial unit price; plus

  (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs;

- *Third*, 98% to all unitholders, pro rata, and 2% to the general partner, pro rata, until we allocate under this paragraph an amount per unit equal to:

(1) the sum of the excess of the first target distribution per unit over the minimum quarterly distribution per unit for each quarter of our existence; less

(2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the minimum quarterly distribution per unit that was distributed 98% to the units, pro rata, and 2% to the general partner, pro rata, for each quarter of our existence;

Fourth, 84.74% to all unitholders, pro rata, 13.26% to the holder of the incentive distribution rights and 2% to the general partner, until we allocate under this paragraph an amount per unit equal to:

(1) the sum of the excess of the second target distribution per unit over the first target distribution per unit for each quarter of our existence; less

(2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the first target distribution per unit that was distributed 84.74% to the unitholders, pro rata, 13.26% to the holder of the incentive distribution rights and 2% to the general partner for each quarter of our existence;

Fifth, 74.53% to all unitholders, pro rata, 23.47% to the holder of the incentive distribution rights and 2% to the general partner, until we allocate under this paragraph an amount per unit equal to:

(1) the sum of the excess of the third target distribution per unit over the second target distribution per unit for each quarter of our existence; less

(2) the cumulative amount per unit of any distributions of available cash from operating surplus in excess of the second target distribution per unit that was distributed 74.53% to the unitholders, pro rata, 23.47% to the holder of the incentive distribution rights and 2% to the general partner for each quarter of our existence;

Thereafter, 49.02% to all unitholders, pro rata, 48.98% to the holder of the incentive distribution rights and 2% to the general partner.

Manner of Adjustment for Losses. Upon our liquidation, we will generally allocate any loss to the general partner and the unitholders in the following manner:

First, 98% to the holders of common units in proportion to the positive balances in their capital accounts and 2% to the general partner until the capital accounts of the common unitholders have been reduced to zero; and

Thereafter, 100% to the general partner.

Adjustments to Capital Accounts Upon the Issuance of Additional Units. We will make adjustments to capital accounts upon the issuance of additional units. In doing so, we will allocate any gain or loss resulting from the adjustments to the unitholders and the general partner in the same manner as we allocate gain or loss upon liquidation. In the event that we make positive interim adjustments to the capital accounts, we will allocate any later negative adjustments to the capital accounts resulting from the issuance of additional units or distributions of property or upon liquidation in a manner which results, to the extent possible, in the capital account balance of the general partner equaling the amount which would have been in its capital account if no earlier positive adjustments to the capital accounts had been made.

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DESCRIPTION OF OUR PARTNERSHIP AGREEMENT

The following is a summary of the material provisions of our partnership agreement. Our partnership agreement has been filed with the Securities and Exchange Commission, and is incorporated by reference in this prospectus. The following provisions of our partnership agreement are summarized elsewhere in this prospectus:

- allocations of taxable income and other tax matters are described under Material Income Tax Consequences ; and
- rights of holders of common units are described under Description of Our Common Units.

Purpose

Our purpose under our partnership agreement is to engage directly or indirectly in any business activity that is approved by our general partner and that may be lawfully conducted by a limited partnership under the Delaware Act. All of our operations are conducted through our operating company, Genesis Crude Oil, L.P., and its subsidiaries.

Power of Attorney

Each limited partner, and each person who acquires a unit from a unitholder and executes and delivers a transfer application, grants to our general partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants the general partner the authority to amend, and to make consents and waivers under, our partnership agreement.

Reimbursements of Our General Partner

Our general partner does not receive any compensation for its services as our general partner. It is, however, entitled to be reimbursed for all of its costs incurred in managing and operating our business. Our partnership agreement provides that our general partner will determine the expenses that are allocable to us in any reasonable manner determined by our general partner in its sole discretion.

Issuance of Additional Securities

Our partnership agreement authorizes us to issue an unlimited number of additional partner securities and rights to buy partnership securities that are equal in rank with or junior to our common units on terms and conditions established by our general partner in its sole discretion without the approval of the unitholders.

It is possible that we will fund acquisitions through the issuance of additional common units or other equity securities. Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional equity securities may dilute the value of the interests of the then-existing holders of common units in our net assets.

In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional equity securities that, in the sole discretion of our general partner, may have special voting rights to which common units are not entitled.

Our general partner has the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other equity securities whenever, and on the same terms that, we issue those securities to persons other than our general partner and its affiliates, to the extent necessary to maintain its percentage interest, including its interest represented by common units, that existed immediately prior to the issuance. The holders of common units will not have preemptive rights to acquire additional common units or other partnership securities.

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Amendments to Our Partnership Agreement

Amendments to our partnership agreement may be proposed only by or with the consent of our general partner. Any amendment that materially and adversely affects the rights or preferences of any type or class of limited partner interests in relation to other types or classes of limited partner interests or our general partner interest will require the approval of at least a majority of the type or class of limited partner interests or general partner interests so affected.

However, in some circumstances, more particularly described in our partnership agreement, our general partner may make amendments to our partnership agreement without the approval of our limited partners or assignees.

Withdrawal or Removal of Our General Partner

Our general partner may withdraw as general partner without first obtaining approval of any unitholder by giving 90 days written notice, and that withdrawal will not constitute a violation of our partnership agreement. In addition, our general partner may withdraw without unitholder approval upon 90 days notice to our limited partners if at least 50% of our outstanding common units are held or controlled by one person and its affiliates other than our general partner and its affiliates.

Upon the voluntary withdrawal of our general partner, the holders of a majority of our outstanding common units may elect a successor to the withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up and liquidated, unless within 180 days after that withdrawal, the holders of a majority of our outstanding common units agree in writing to continue our business and to appoint a successor general partner.

Our general partner may be removed with or without cause. Cause means that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as our general partner. If cause exists, our general partner may not be removed unless that removal is approved by the vote of the holders of not less than two-thirds of our outstanding units, including units held by our general partner and its affiliates. If no cause exists, our general partner may not be removed unless that removal is approved by the vote of the holders of not less than a majority of our outstanding units, excluding units held by our general partner and its affiliates. Any removal of our general partner by the unitholders is also subject to the approval of a successor general partner by the vote of the holders of a majority of our outstanding common units and the receipt of an opinion of counsel regarding limited liability and tax matters. If a proposed removal is without cause, and the general partner to be removed is an affiliate of Denbury Resources, then, if an affiliate of Denbury Resources is not proposed as a successor general partner, any such action for removal must also provide for Denbury Resources to be granted an option immediately upon the effectiveness of the removal to purchase all of our ownership interest in our Mississippi pipeline system at 110% of its fair market value, as determined by independent appraisal in the manner set forth in our partnership agreement. Denbury Resources option will be exercisable for a period of 45 days following the determination of such fair market value. Additionally, upon removal of the general partner without cause, our general partner will have the option to convert its interest in us (other than its common units) into common units or to require our replacement general partner to purchase such interest for cash at its then fair market value.

While our partnership agreement limits the ability of our general partner to withdraw, it allows the general partner interest to be transferred to an affiliate or to a third party in conjunction with a merger or sale of all or substantially all of the assets of our general partner. In addition, our partnership agreement expressly permits the sale, in whole or in part, of the ownership of our general partner. Our general partner may also transfer, in whole or in part, the common units and any other partnership securities it owns, including the incentive distribution rights.

Liquidation and Distribution of Proceeds

Upon our dissolution, unless we are reconstituted and continued as a new limited partnership, the person authorized to wind up our affairs (the liquidator) will, acting with all the powers of our general partner that the liquidator deems necessary or desirable in its judgment, liquidate our assets. The proceeds of the liquidation will be applied as follows:

- *first*, towards the payment of all of our creditors; and

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then, to our unitholders and our general partner in accordance with the positive balance in their respective capital accounts.

The liquidator may defer liquidation of our assets for a reasonable period or distribute assets to our partners in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

Change of Management Provisions

Our partnership agreement contains the following specific provisions that are intended to discourage a person or group from attempting to remove our general partner or otherwise change management:

- any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner and its affiliates, cannot be voted on any matters pertaining to the succession, election, removal, withdrawal, replacement or substitution of our general partner; and

- the partnership agreement contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

Limited Call Right

If at any time our general partner and its affiliates own more than 80% of the issued and outstanding limited partner interests of any class, our general partner will have the right to acquire all, but not less than all, of the outstanding limited partner interests of that class that are held by non-affiliated persons. The record date for determining ownership of the limited partner interests would be selected by our general partner on at least ten but not more than 60 days notice. The purchase price in the event of a purchase under these provisions would be the greater of (1) the current market price (as defined in our partnership agreement) of the limited partner interests of the class as of the date three days prior to the date that notice is mailed to the limited partners as provided in the partnership agreement and (2) the highest cash price paid by our general partner or any of its affiliates for any partnership securities of the class purchased within the 90 days preceding the date our general partner first mails notice of its election to purchase those partnership securities.

Indemnification

Under our partnership agreement, in most circumstances, we will indemnify our general partner, its affiliates and their officers and directors to the fullest extent permitted by law, from and against all losses, claims or damages any of them may suffer by reason of their status as general partner, officer or director, as long as the person seeking indemnity acted in good faith and in a manner believed to be in or not opposed to our best interest. Any indemnification under these provisions will only be out of our assets. Our general partner and its affiliates shall not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate any indemnification. We are authorized to purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Registration Rights

Under our partnership agreement, we have agreed to register for resale under the Securities Act and applicable state securities laws any common units or other partnership securities proposed to be sold by our general partner or any of its affiliates or their assignees if an exemption from the registration requirements is not otherwise available. We are obligated to pay all expenses incidental to the registration, excluding underwriting discounts and commissions.

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MATERIAL INCOME TAX CONSEQUENCES

This section is a discussion of the material income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States and, unless otherwise noted in the following discussion, expresses the opinion of Akin Gump Strauss Hauer & Feld LLP, counsel to our general partner and us, insofar as it relates to legal conclusions with respect to matters of United States federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), existing and proposed Treasury Regulations promulgated under the Internal Revenue Code (the Treasury Regulations), and current administrative rulings and court decisions, all of which are subject to change. Later changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to us, we, our, or ours are references to Genesis Energy, L.P. and its subsidiaries.

The following discussion does not comment on all federal income tax matters affecting us or our unitholders. Moreover, the discussion focuses on unitholders who are individual citizens or residents of the United States and has only limited application to corporations, estates, trusts, nonresident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, foreign persons, individual retirement accounts (IRAs), real estate investment trusts (REITs) or mutual funds. Accordingly, we urge each prospective unitholder to consult, and depend on, his own tax advisor in analyzing the federal, state, local and foreign tax consequences particular to him of the ownership or disposition of common units.

All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this section, unless otherwise noted, are the opinion of Akin Gump Strauss Hauer & Feld LLP and are based on the accuracy of the representations made by us and our general partner. No ruling has been or will be requested from the Internal Revenue Service (the IRS) regarding any matter affecting us or prospective unitholders. Instead, we will rely on opinions and advice of Akin Gump Strauss Hauer & Feld LLP. Unlike a ruling, an opinion of counsel represents only that counsel s best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made herein may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for our common units and the prices at which common units trade. In addition, the costs of any contest with the IRS, principally legal, accounting, and related fees, will result in a reduction in cash available for distribution to our unitholders and our general partner and thus will be borne directly or indirectly by our unitholders and our general partner. Furthermore, the tax treatment of us, or of an investment in us, may be significantly modified by future legislative or administrative changes or court decisions. Any modifications may or may not be retroactively applied.

For the reasons described below, Akin Gump Strauss Hauer & Feld LLP has not rendered an opinion with respect to the following specific federal income tax issues:

(1) the treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units (please see Tax Consequences of Unit Ownership Treatment of Short Sales);

(2) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (please see Disposition of Common Units Allocations Between Transferors and Transferees); and

(3) whether our method for depreciating Section 743 adjustments is sustainable (please see Tax Consequences of Unit Ownership Section 754 Election).

Partnership Status

A partnership is not a taxable entity and incurs no federal income tax liability. Instead, each partner of a partnership is required to take into account his share of items of income, gain, loss and deduction of the partnership in computing his federal income tax liability, regardless of whether cash distributions are made to him by the partnership. Distributions by a partnership to a partner are generally not taxable to the partnership or to the partner unless the amount of cash distributed to him is in excess of the partner s adjusted basis in his partnership interest.

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Section 7704 of the Internal Revenue Code provides that publicly-traded partnerships will, as a general rule, be taxed as corporations. However, an exception, referred to as the Qualifying Income Exception, exists with respect to publicly-traded partnerships of which 90% or more of the gross income for every taxable year consists of qualifying income. Qualifying income includes income and gains derived from the transportation, storage, processing, and marketing of crude oil, natural gas and products thereof and fertilizer. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. We estimate that at least 90% of our current gross income is qualifying income. Based upon and subject to this estimate, the factual representations made by us and the general partner and a review of the applicable legal authorities, Akin Gump Strauss Hauer & Feld LLP is of the opinion that at least 90% of our current gross income constitutes qualifying income.

No ruling has been or will be sought from the IRS and the IRS has made no determination as to our status as a partnership for federal income tax purposes or whether our operations generate qualifying income under Section 7704 of the Internal Revenue Code. Instead, we will rely on the opinion of Akin Gump Strauss Hauer & Feld LLP. It is the opinion of Akin Gump Strauss Hauer & Feld LLP that, based upon the Internal Revenue Code, the Treasury Regulations, published revenue rulings and court decisions and the representations described below, we will be classified as a partnership for federal income tax purposes.

In rendering its opinion, Akin Gump Strauss Hauer & Feld LLP has relied on factual representations made by us and our general partner. The representations made by us and our general partner upon which counsel has relied include:

(a) Neither we nor the operating company has elected or will elect to be treated as a corporation;

(b) For each taxable year, more than 90% of our gross income has been and will be income from sources that Akin Gump Strauss Hauer & Feld LLP has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Internal Revenue Code; and

(c) Each hedging transaction that we treat as resulting in qualifying income has been and will be appropriately identified as a hedging transaction pursuant to applicable Treasury Regulations, and has been and will be associated with oil, gas or products thereof that are held or are to be held by us in activities that Akin Gump Strauss Hauer & Feld LLP has opined or will opine result in qualifying income.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our unitholders or pay other amounts), we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed that stock to our unitholders in liquidation of their interests in us. This deemed contribution and liquidation should be tax-free to unitholders and us so long as we, at that time, do not have liabilities in excess of the tax basis of our assets. Thereafter, we would be treated as a corporation for federal income tax purposes.

If we were treated as an association taxable as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to our unitholders, and our net income would be taxed to us at corporate rates. In addition, any distribution made to a unitholder would be treated as either taxable dividend income, to the extent of our current or accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the unitholder s tax basis in his common units, or taxable capital gain, after the unitholder s tax basis in his common units is reduced to zero. Accordingly, taxation as a corporation would result in a material reduction in a unitholder s cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the units.

The remainder of the discussion below is based on Akin Gump Strauss Hauer & Feld LLP s opinion that we will be classified as a partnership for federal income tax purposes.

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Limited Partner Status

Unitholders who have become limited partners of Genesis will be treated as partners of Genesis for federal income tax purposes. Also:

(a) assignees who have executed and delivered transfer applications, and are awaiting admission as limited partners, and

(b) unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common units,

will be treated as partners of Genesis for federal income tax purposes. As there is no direct authority addressing assignees of common units who are entitled to execute and deliver transfer applications and become entitled to direct the exercise of attendant rights, but who fail to execute and deliver transfer applications, the opinion of Akin Gump Strauss Hauer & Feld LLP does not extend to these persons. Furthermore, a purchaser or other transferee of common units who does not execute and deliver a transfer application may not receive some federal income tax information or reports furnished to record holders of common units unless the common units are held in a nominee or street name account and the nominee or broker has executed and delivered a transfer application for those common units.

A beneficial owner of common units whose units have been transferred to a short seller to complete a short sale would appear to lose his status as a partner with respect to those units for federal income tax purposes. Please see Tax Consequences of Unit Ownership Treatment of Short Sales.

Income, gain, deductions or losses would not appear to be reportable by a unitholder who is not a partner for federal income tax purposes, and any cash distributions received by a unitholder who is not a partner for federal income tax purposes would therefore appear to be fully taxable as ordinary income. These holders are urged to consult their own tax advisors with respect to their status as partners in Genesis.

The references to unitholders in the discussion that follows are to persons who are treated as partners in Genesis for federal income tax purposes.

Tax Consequences of Unit Ownership

Flow-Through of Taxable Income. We will not pay any federal income tax. Instead, each unitholder will be required to report on his income tax return his share of our income, gains, losses and deductions without regard to whether corresponding cash distributions are received by him. Consequently, we may allocate income to a unitholder even if he has not received a cash distribution. Each unitholder will be required to include in income his allocable share of our income, gains, losses and deductions for our taxable year ending with or within his taxable year. Our taxable year ends on December 31.

Treatment of Distributions. Distributions by us to a unitholder generally will not be taxable to the unitholder for federal income tax purposes, except to the extent the amount of any such cash distribution exceeds his tax basis in his common units immediately before the distribution. Our cash distributions in excess of a unitholder s tax basis generally will be considered to be gain from the sale or exchange of our common units, taxable in accordance with the rules described under Disposition of Common Units below. Any reduction in a unitholder s share of our liabilities for which no partner, including the general partner, bears the economic risk of loss, known as nonrecourse liabilities, will be treated as a distribution by us of cash to that unitholder. To the extent our distributions cause a unitholder s at risk amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. Please see Limitations on Deductibility of Losses.

A decrease in a unitholder s percentage interest in us because of our issuance of additional common units will decrease his share of our nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. This deemed distribution may constitute a non-pro rata distribution. A non-pro rata distribution of money or property may result in ordinary income to a unitholder,

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regardless of his tax basis in his common units, if the distribution reduces the unitholder s share of our unrealized receivables, including depreciation recapture, and/or substantially appreciated inventory items, both as defined in Section 751 of the Internal Revenue Code, and collectively, Section 751 Assets. To that extent, he will be treated as having been distributed his proportionate share of the Section 751 Assets and then having exchanged those assets with us in return for the non-pro rata portion of the actual distribution made to him. This latter deemed exchange will generally result in the unitholder s realization of ordinary income, which will equal the excess of (1) the non-pro rata portion of that distribution over (2) the unitholder s tax basis (generally zero) for the share of Section 751 Assets deemed relinquished in the exchange.

Basis of Common Units. A unitholder s initial tax basis for his common units will be the amount he paid for our common units plus his share of our nonrecourse liabilities. That basis will be increased by his share of our income and by any increases in his share of our nonrecourse liabilities. That basis will be decreased, but not below zero, by distributions from us, by the unitholder s share of our losses, by any decreases in his share of our nonrecourse liabilities and by his share of our expenditures that are not deductible in computing taxable income and are not required to be capitalized. A unitholder will have no share of our debt that is recourse to our general partner, but will have a share, generally based on his share of profits, of our nonrecourse liabilities. Please see Disposition of Common Units Recognition of Gain or Loss.

Limitations on Deductibility of Losses. The deduction by a unitholder of his share of our losses will be limited to the tax basis in his units and, in the case of an individual unitholder, estate, trust, or corporate unitholder (if more than 50% of the value of the corporate unitholder s stock is owned directly or indirectly by or for five or fewer individuals or some tax-exempt organizations), to the amount for which the unitholder is considered to be at risk with respect to our activities, if that is less than his tax basis. A unitholder subject to these limitations must recapture losses deducted in previous years to the extent that distributions cause his at-risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable as a deduction to the extent that his at-risk amount is subsequently increased, provided such losses do not exceed such common unitholders tax basis in his common units. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at-risk limitation but may not be offset by losses suspended by the basis limitation. Any loss previously suspended by the at-risk limitation in excess of that gain would no longer be utilizable.

In general, a unitholder will be at risk to the extent of the tax basis of his units, excluding any portion of that basis attributable to his share of our nonrecourse liabilities, reduced by (i) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop loss agreement or other similar arrangement and (ii) any amount of money he borrows to acquire or hold his units, if the lender of those borrowed funds owns an interest in us, is related to the unitholder or can look only to the units for repayment. A unitholder s at-risk amount will increase or decrease as the tax basis of the unitholder s units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in his share of our nonrecourse liabilities.

In addition to the basis and at-risk limitations on the deductibility of losses, the passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations can deduct losses from passive activities, which are generally trade or business activities in which the taxpayer does not materially participate, only to the extent of the taxpayer s income from those passive activities. The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including our investments or investments in other publicly traded partnerships, or salary or active business income. Passive losses that are not deductible because they exceed a unitholder s share of income we generate may be deducted in full when he disposes of his entire investment in us in a fully taxable transaction with an unrelated party. The passive loss limitations are applied after other applicable limitations on deductions, including the at-risk rules and the basis limitation.

A unitholder s share of our net income may be offset by any of our suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly traded partnerships.

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Limitations on Interest Deductions. The deductibility of a non-corporate taxpayer s investment interest expense is generally limited to the amount of that taxpayer s net investment income. Investment interest expense includes:

- interest on indebtedness properly allocable to property held for investment;
- our interest expense attributed to portfolio income; and
- the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a unitholder s investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment or qualified dividend income. The IRS has indicated that the net passive income earned by a publicly traded partnership will be treated as investment income to its unitholders. In addition, the unitholder s share of our portfolio income will be treated as investment income.

Entity-Level Collections. If we are required or elect under applicable law to pay any federal, state, local or foreign income tax on behalf of any unitholder or our general partner or any former unitholder, we are authorized to pay those taxes from our funds. That payment, if made, will be treated as a distribution of cash to the partner on whose behalf the payment was made. If the payment is made on behalf of a person whose identity cannot be determined, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual partner in which event the partner would be required to file a claim in order to obtain a credit or refund.

Allocation of Income, Gain, Loss and Deduction. In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among our general partner and our unitholders in accordance with their percentage interests in us. At any time that incentive distributions are made to our general partner, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss, that loss will be allocated first to the general partner and the unitholders in accordance with their percentage interests in us to the extent of their positive capital accounts and, second, to the general partner.

Specified items of our income, gain, loss and deduction will be allocated to account for (i) any difference between the tax basis and fair market value of our assets at the time of an offering and (ii) any difference between the tax basis and fair market value of any property contributed to us that exists at the time of such contribution, together, referred to in this discussion as the Contributed Property. The effect of these allocations, referred to as Section 704(c) Allocations, to a unitholder purchasing common units from us in an offering will be essentially the same as if the tax bases of our assets were equal to their fair market value at the time of such offering. In the event we issue additional common units or engage in certain other transactions in the future, we will make reverse Section 704(c) Allocations, similar to the Section 704(c) Allocations described above, to all holders of partnership interests immediately prior to such issuance or other transactions to account for the difference between the book basis for purposes of maintaining capital accounts and the fair market value of all property held by us at the time of such issuance or future transaction. In addition, items of recapture income will be allocated to the extent possible to the partner who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by some unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of our income and gain will be allocated in an amount and manner as is needed to eliminate the negative balance as quickly as possible.

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An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Internal Revenue Code to eliminate the difference between a partner s book capital account, credited with the fair market value of Contributed Property, and tax capital account, credited with the tax basis of Contributed Property, referred to in this discussion as the Book-Tax Disparity, will generally be given effect for federal income tax purposes in determining a partner s share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a partner s share of an item will be determined on the basis of his interest in us, which will be determined by taking into account all the facts and circumstances, including:

- his relative contributions to us;
- the interests of all the partners in profits and losses;
- the interest of all the partners in cash flow; and
- the rights of all the partners to distributions of capital upon liquidation.

Akin Gump Strauss Hauer & Feld LLP is of the opinion that, with the exception of the issues described in Section 754 Election and Disposition of Common Units Allocations Between Transferors and Transferees, allocations under our partnership agreement will be given effect for federal income tax purposes in determining a partner s share of an item of income, gain, loss or deduction.

Treatment of Short Sales. A unitholder whose units are loaned to a short seller to cover a short sale of units may be considered as having disposed of those units. If so, he would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and may recognize gain or loss from the disposition. As a result, during this period:

- any of our income, gain, loss or deduction with respect to those units would not be reportable by the unitholder;
- any cash distributions received by the unitholder as to those units would be fully taxable; and
- all of these distributions would appear to be ordinary income.

Akin Gump Strauss Hauer & Feld LLP has not rendered an opinion regarding the tax treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units because there is no direct or indirect authority on the issue related to partnership interests and without such authority a legal opinion cannot be issued; therefore, unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to modify any applicable brokerage account agreements to prohibit their brokers from borrowing and loaning their units. The IRS has announced that it is actively studying issues relating to the tax treatment of short sales of partnership interests. Please also read Disposition of Common Units Recognition of Gain or Loss.

Alternative Minimum Tax. Each unitholder will be required to take into account his distributive share of any items of our income, gain, loss or deduction for purposes of the alternative minimum tax. The current minimum tax rate for noncorporate taxpayers is 26% on the first $175,000 of alternative minimum taxable income in excess of the exemption amount and 28% on any additional alternative minimum taxable income. Prospective unitholders are urged to consult with their tax advisors as to the impact of an investment in units on their liability for the alternative minimum tax.

Tax Rates. Under current law, the highest marginal U.S. federal income tax rate applicable to ordinary income of individuals is 35% and the highest marginal U.S. federal income tax rate applicable to long-term capital gains (generally, capital gains on certain assets held for more than 12 months) of individuals is 15%. However, absent new legislation extending the current rates, beginning January 1, 2011, the highest marginal U.S. federal income tax rate applicable to ordinary income and long-term capital gains of individuals will increase to 39.6% and 20%, respectively. Moreover, these rates are subject to change by new legislation at any time.

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Section 754 Election. We have made the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS. The election will generally permit us to adjust a common unit purchaser s tax basis in our assets (inside basis) under Section 743(b) of the Internal Revenue Code to reflect his purchase price. This election does not apply to a person who purchases common units directly from us. The Section 743(b) adjustment belongs to the purchaser and not to other unitholders. For purposes of this discussion, a unitholder s inside basis in our assets will be considered to have two components: (1) his share of our tax basis in our assets (common basis) and (2) his Section 743(b) adjustment to that basis.

Where the remedial allocation method is adopted (which we have generally adopted as to all of our properties), the Treasury Regulations under Section 743 of the Internal Revenue Code require a portion of the Section 743(b) adjustment that is attributable to recovery property under Section 168 of the Internal Revenue Code whose book basis is in excess of its tax basis to be depreciated over the remaining cost recovery period for the Section 704(c) built in gain. Under Treasury Regulation Section 1.167(c)-1(a)(6), a Section 743(b) adjustment attributable to property subject to depreciation under Section 167 of the Internal Revenue Code, rather than cost recovery deductions under Section 168, is generally required to be depreciated using either the straight-line method or the 150% declining balance method. If we elect a method other than the remedial method, the depreciation and amortization methods and useful lives associated with the Section 743(b) adjustment, therefore, may differ from the methods and useful lives generally used to depreciate the inside basis in such properties. Under our partnership agreement, the general partner is authorized to take a position to preserve the uniformity of units even if that position is not consistent with these and any other Treasury Regulations. Please see Uniformity of Units.

Although Akin Gump Strauss Hauer & Feld LLP is unable to opine as to the validity of this approach because there is no direct or indirect controlling authority on this issue, we intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the property s unamortized Book-Tax Disparity, or treat that portion as non-amortizable to the extent attributable to property which is not amortizable. This method is consistent with the methods employed by other publicly traded partnerships but is arguably inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets. To the extent this Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may take a depreciation or amortization position under which all purchasers acquiring units in the same month would receive depreciation or amortization, whether attributable to common basis or a Section 743(b) adjustment, based upon the same applicable rate as if they had purchased a direct interest in our assets. This kind of aggregate approach may result in lower annual depreciation or amortization deductions than would otherwise be allowable to some unitholders. Please see Uniformity of Units. A unitholder s tax basis for his common units is reduced by his share of our deductions (whether or not such deductions were claimed on an individual s income tax return) so that any position we take that understates deductions will overstate the common unitholder s basis in his common units, which may cause the unitholder to understate gain or overstate loss on any sale of such units. Please see Disposition of Common Units Recognition of Gain or Loss. The IRS may challenge our position with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of the units. If such a challenge were sustained, the gain from the sale of units might be increased without the benefit of additional deductions.

A Section 754 election is advantageous if the transferee s tax basis in his units is higher than the units share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, as a result of the election, the transferee would have, among other items, a greater amount of depreciation deductions and his share of any gain on a sale of our assets would be less. Conversely, a Section 754 election is disadvantageous if the transferee s tax basis in his units is lower than those units share of the aggregate tax basis of our assets immediately prior to the transfer. Thus, the fair market value of the units may be affected either favorably or unfavorably by the election. A basis adjustment is required regardless of whether a Section 754 election is made in the case of a transfer of an interest in us if we have a substantial built-in loss immediately after the transfer, or if we distribute property and have a substantial basis reduction. Generally a built-in loss or a basis reduction is substantial if it exceeds $250,000.

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The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Internal Revenue Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment allocated by us to our tangible assets to goodwill instead. Goodwill, as an intangible asset, is generally nonamortizable or amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than he would have been allocated had the election not been revoked.

Tax Treatment of Operations

Accounting Method and Taxable Year. We use the year ending December 31 as our taxable year and the accrual method of accounting for federal income tax purposes. Each unitholder will be required to include in income his share of our income, gain, loss and deduction for our taxable year ending within or with his taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of his units following the close of our taxable year but before the close of his taxable year must include his share of our income, gain, loss and deduction in income for his taxable year, with the result that he will be required to include in income for his taxable year his share of more than one year of our income, gain, loss and deduction. Please see Disposition of Common Units Allocations Between Transferors and Transferees.

Tax Basis, Depreciation and Amortization. The tax basis of our assets will be used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. The federal income tax burden associated with the difference between the fair market value of our assets and their tax basis immediately prior to an offering will be borne by our unitholders holding interests in us prior to any such offering. Please see Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction.

To the extent allowable, we may elect to use the depreciation and cost recovery methods that will result in the largest deductions being taken in the early years after assets subject to these allowances are placed in service. We may not be entitled to amortization deductions with respect to certain goodwill conveyed to us in future transactions or held at the time of any future offering. Property we subsequently acquire or construct may be depreciated using accelerated methods permitted by the Internal Revenue Code.

If we dispose of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount of depreciation previously deducted and the nature of the property, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of his interest in us. Please see Tax Consequences of Unit Ownership Allocation of Income, Gain, Loss and Deduction and Disposition of Common Units Recognition of Gain or Loss.

The costs we incur in selling our units (called syndication expenses) must be capitalized and cannot be deducted currently, ratably or upon our termination. There are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us. The underwriting discounts and commissions we incur will be treated as syndication expenses.

Valuation and Tax Basis of Our Properties. The federal income tax consequences of the ownership and disposition of units will depend in part on our estimates of the relative fair market values, and the initial tax bases, of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates and determinations of basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deductions previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

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Disposition of Common Units

Recognition of Gain or Loss. Gain or loss will be recognized on a sale of units equal to the difference between the amount realized and the unitholder s tax basis for the units sold. A unitholder s amount realized will be measured by the sum of the cash or the fair market value of other property received by him plus his share of our nonrecourse liabilities. Because the amount realized includes a unitholder s share of our nonrecourse liabilities, the gain recognized on the sale of units could result in a tax liability in excess of any cash received from the sale.

Prior distributions from us in excess of cumulative net taxable income for a common unit that decreased a unitholder s tax basis in that common unit will, in effect, become taxable income if the common unit is sold at a price greater than the unitholder s tax basis in that common unit, even if the price received is less than his original cost.

Except as noted below, gain or loss recognized by a unitholder, other than a dealer in units, on the sale or exchange of a unit will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of units held for more than twelve months will generally be taxed at a maximum U.S. federal income tax rate of 15% through December 31, 2010 and 20% thereafter (absent new legislation extending or adjusting the current rate). However, a portion, which will likely be substantial, of this gain or loss will be separately computed and taxed as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to assets giving rise to depreciation recapture or other unrealized receivables or to inventory items we own. The term unrealized receivables includes potential recapture items, including depreciation recapture. Ordinary income attributable to unrealized receivables, inventory items and depreciation recapture may exceed net taxable gain realized upon the sale of a unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon a sale of units. Net capital losses may offset capital gains and no more than $3,000 of ordinary income, in the case of individuals, and may only be used to offset capital gains in the case of corporations.

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an equitable apportionment method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner s tax basis in his entire interest in the partnership as the value of the interest sold bears to the value of the partner s entire interest in the partnership. Treasury Regulations under Section 1223 of the Internal Revenue Code allow a selling unitholder who can identify common units transferred with an ascertainable holding period to elect to use the actual holding period of the common units transferred. Thus, according to the ruling discussed above, a common unitholder will be unable to select high or low basis common units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, he may designate specific common units sold for purposes of determining the holding period of units transferred. A unitholder electing to use the actual holding period of common units transferred must consistently use that identification method for all subsequent sales or exchanges of common units. A unitholder considering the purchase of additional units or a sale of common units purchased in separate transactions is urged to consult his tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an appreciated partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

- a short sale;
- an offsetting notional principal contract; or
- a futures or forward contract with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees. In general, our taxable income and losses will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among our unitholders in proportion to the number of units owned by each of them as of the opening of the applicable exchange on the first business day of the month, which we refer to as the Allocation Date. However, gain or loss realized on a sale or other disposition of our assets other than in the ordinary course of business will be allocated among our unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring units may be allocated income, gain, loss and deduction realized after the date of transfer.

Although simplifying conventions are contemplated by the Internal Revenue Code and most publicly traded partnerships use similar simplifying conventions, the use of this method may not be permitted under existing Treasury Regulations. Accordingly, Akin Gump Strauss Hauer & Feld LLP is unable to opine on the validity of this method of allocating income and deductions between transferor and transferee unitholders. If this method is not allowed under the Treasury Regulations, or only applies to transfers of less than all of the unitholder s interest, our taxable income or losses might be reallocated among the unitholders. We are authorized to revise our method of allocation between transferor and transferee unitholders, as well as unitholders whose interests vary during a taxable year, to conform to a method permitted under future Treasury Regulations.

A unitholder who owns units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deductions attributable to that quarter but will not be entitled to receive that cash distribution.

Notification Requirements. A unitholder who sells any of his units is generally required to notify us in writing of that sale within 30 days after the sale. A purchaser of units who purchases units from another unitholder is also generally required to notify us in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a purchase may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the United States and who effects the sale or exchange through a broker who will satisfy such requirements.

Constructive Termination. We will be considered to have been terminated for tax purposes if there are sales or exchanges which, in the aggregate, constitute 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of measuring whether the 50% threshold is reached, multiple sales of the same interest are counted only once. A constructive termination results in the closing of our taxable year for all unitholders. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. A constructive termination occurring on a date other than December 31 will result in us filing two tax returns (and common unitholders receiving two Schedules K-1) for one fiscal year and the cost of the preparation of these returns will be borne by all common unitholders. We would be required to make new tax elections after a termination, including a new election under Section 754 of the Internal Revenue Code, and a termination would result in a deferral of our deductions for depreciation. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Uniformity of Units

Because we cannot match transferors and transferees of units, we must maintain uniformity of the economic and tax characteristics of the units to a purchaser of these units. In the absence of uniformity, we may be unable to completely comply with a number of federal income tax requirements, both statutory and regulatory. A lack of uniformity can result from a literal application of Treasury Regulation Section 1.167(c)-1(a)(6). Any non-uniformity could have a negative impact on the value of the units. Please see Tax Consequences of Unit Ownership Section 754 Election.

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We intend to depreciate the portion of a Section 743(b) adjustment attributable to unrealized appreciation in the value of Contributed Property, to the extent of any unamortized Book-Tax Disparity, using a rate of depreciation or amortization derived from the depreciation or amortization method and useful life applied to the property s unamortized Book-Tax Disparity, or treat that portion as nonamortizable, to the extent attributable to property the common basis of which is not amortizable, consistent with the Treasury Regulations under Section 743 of the Internal Revenue Code, even though that position may be inconsistent with Treasury Regulation Section 1.167(c)-1(a)(6), which is not expected to directly apply to a material portion of our assets. Please see Tax Consequences of Unit Ownership Section 754 Election. To the extent that the Section 743(b) adjustment is attributable to appreciation in value in excess of the unamortized Book-Tax Disparity, we will apply the rules described in the Treasury Regulations and legislative history. If we determine that this position cannot reasonably be taken, we may adopt a depreciation and amortization position under which all purchasers acquiring units in the same month would receive depreciation and amortization deductions, whether attributable to a common basis or Section 743(b) adjustment, based upon the same applicable methods and lives as if they had purchased a direct interest in our property. If this position is adopted, it may result in lower annual depreciation and amortization deductions than would otherwise be allowable to some unitholders and risk the loss of depreciation and amortization deductions not taken in the year that these deductions are otherwise allowable. This position will not be adopted if we determine that the loss of depreciation and amortization deductions will have a material adverse effect on our unitholders. If we choose not to utilize this aggregate method, we may use any other reasonable depreciation and amortization method to preserve the uniformity of the intrinsic tax characteristics of any units that would not have a material adverse effect on our unitholders. The IRS may challenge any method of depreciating the Section 743(b) adjustment described in this paragraph. If this challenge were sustained, the uniformity of units might be affected, and the gain from the sale of units might be increased without the benefit of additional deductions. Please see Disposition of Common Units Recognition of Gain or Loss.

Tax-Exempt Organizations and Other Investors

Ownership of units by employee benefit plans, other tax-exempt organizations, non-resident aliens, foreign corporations and other foreign persons raise issues unique to those investors and, as described below, may have substantially adverse tax consequences to them. If you are a tax-exempt entity or a foreign person, you should consult your tax advisor before investing in our common units.

Employee benefit plans and most other organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, are subject to federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder that is a tax-exempt organization will be unrelated business taxable income and will be taxable to it.

Non-resident aliens and foreign corporations, trusts or estates that own units will be considered to be engaged in business in the United States because of the ownership of units. As a consequence, they will be required to file federal tax returns to report their share of our income, gain, loss or deduction and pay federal income tax at regular rates on their share of our net income or gain. Moreover, under rules applicable to publicly traded partnerships, we will withhold at the highest applicable effective tax rate from cash distributions made quarterly to foreign unitholders. Each foreign unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN or applicable substitute form in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a foreign corporation that owns units will be treated as engaged in a United States trade or business, that corporation may be subject to the United States branch profits tax at a rate of 30%, in addition to regular federal income tax, on its share of our income and gain, as adjusted for changes in the foreign corporation s U.S. net equity, which are effectively connected with the conduct of a United States trade or business. That tax may be reduced or eliminated by an income tax treaty between the United States and the country in which the foreign corporate unitholder is a qualified resident. In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

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Under a ruling of the IRS, a foreign unitholder who sells or otherwise disposes of a unit will be subject to federal income tax on gain realized on the sale or disposition of that unit to the extent that this gain is effectively connected with a United States trade or business of the foreign unitholder. Because a foreign unitholder is considered to be engaged in business in the United States by virtue of the ownership of units, under this ruling a foreign unitholder who sells or otherwise disposes of a unit generally will be subject to federal income tax on gain realized on the sale or other disposition of units. Apart from the ruling, a foreign unitholder will not be taxed or subject to withholding upon the sale or disposition of a unit if he has owned less than 5% in value of the units during the five-year period ending on the date of the disposition and if the units are regularly traded on an established securities market at the time of the sale or disposition.

Administrative Matters

Information Returns and Audit Procedures. We intend to furnish to each unitholder, within 90 days after the close of each calendar year, specific tax information, including a Schedule K-1, which describes his share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each unitholder s share of income, gain, loss and deduction. We cannot assure you that those positions will in all cases yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS. Neither we nor Akin Gump Strauss Hauer & Feld LLP can assure prospective unitholders that the IRS will not successfully contend in court that those positions are impermissible. Any challenge by the IRS could negatively affect the value of the units.

The IRS may audit our federal income tax information returns. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year s tax liability, and possibly may result in an audit of his return. Any audit of a unitholder s return could result in adjustments not related to our returns as well as those related to our returns.

Partnerships generally are treated as separate entities for purposes of federal tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings with the partners. The Internal Revenue Code requires that one partner be designated as the Tax Matters Partner for these purposes. Our partnership agreement names our general partner as our Tax Matters Partner.

The Tax Matters Partner has made and will make elections on our behalf and on behalf of unitholders. In addition, the Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our returns. The Tax Matters Partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all our unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review will go forward, and each unitholder with an interest in the outcome may participate.

A unitholder must file a statement with the IRS identifying the treatment of any item on his federal income tax return that is not consistent with the treatment of the item on the tax report we provide to him. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

Nominee Reporting. Persons who hold an interest in us as a nominee for another person are required to furnish to us:

(a) the name, address and taxpayer identification number of the beneficial owner and the nominee;

(b) whether the beneficial owner is

(1) a person that is not a United States person,

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(2) a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing, or

(3) a tax-exempt entity;

(c) the amount and description of units held, acquired or transferred for the beneficial owner; and

(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are United States persons and specific information on units they acquire, hold or transfer for their own account. A penalty of $50 per failure, up to a maximum of $100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the units with the information furnished to us.

Accuracy-Related Penalties. An additional tax equal to 20% of the amount of any portion of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements, is imposed by the Internal Revenue Code. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for that portion and that the taxpayer acted in good faith regarding that portion.

For individuals, a substantial understatement of income tax in any taxable year exists if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on the return for the taxable year or $5,000 ($10,000 for most corporations). The amount of any understatement subject to penalty generally is reduced if any portion is attributable to a position adopted on the return:

(1) for which there is, or was, substantial authority, or

(2) as to which there is a reasonable basis and the pertinent facts of that position are disclosed on the return.

If any item of income, gain, loss or deduction included in the distributive shares of unitholders might result in that kind of an understatement of income for which no substantial authority exists, we must disclose the pertinent facts on our return. In addition, we will make a reasonable effort to furnish sufficient information for unitholders to make adequate disclosure on their returns and to take other actions as may be appropriate to permit unitholders to avoid liability for this penalty. More stringent rules apply to tax shelters, which we do not believe includes us or any of our investments, plans or arrangements.

A substantial valuation misstatement exists if the value of any property, or the adjusted basis of any property, claimed on a tax return is 150% or more of the amount determined to be the correct amount of the valuation or adjusted basis. No penalty is imposed unless the portion of the underpayment attributable to a substantial valuation misstatement exceeds $5,000 ($10,000 for most corporations). If the valuation claimed on a return is 200% or more than the correct valuation, the penalty imposed increases to 40%. We do not anticipate making any valuation misstatements.

Reportable Transactions. If we were to engage in a reportable transaction, we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a listed transaction or that it produces certain kinds of losses for partnerships, individuals, S corporations, and trusts in excess of $2 million in any single year, or $4 million in any combination of six successive tax years. Our participation in a reportable transaction could increase the likelihood that our federal income tax information return (and possibly your tax return) would be audited by the IRS. Please see Information Returns and Audit Procedures.

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Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to the following provisions of the American Jobs Creation Act of 2004:

- accuracy-related penalties with a broader scope, significantly narrower exceptions, and potentially greater amounts than described above at Accuracy-Related Penalties,
- for those persons otherwise entitled to deduct interest on federal tax deficiencies, nondeductibility of interest on any resulting tax liability, and
- in the case of a listed transaction, an extended statute of limitations.

We do not expect to engage in any reportable transactions.

State, Local, Foreign and Other Tax Consequences

In addition to federal income taxes, you may be subject to other taxes, such as state, local, and foreign income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property or in which you are a resident. We own assets and do business in more than 25 states including Texas, Louisiana, Mississippi, Alabama, Florida, Arkansas and Oklahoma. Many of the states we currently do business in currently impose a personal income tax. We may also own property or do business in other states in the future. Although an analysis of those various taxes is not presented here, each prospective unitholder is urged to consider their potential impact on his investment in us. Although you may not be required to file a return and pay taxes in some jurisdictions because your income from that jurisdiction falls below the filing and payment requirement, you might be required to file income tax returns and to pay income taxes in other jurisdictions in which we do business or own property, now or in the future, and may be subject to penalties for failure to comply with those requirements. In some jurisdictions, tax losses may not produce a tax benefit in the year incurred and may not be available to offset income in subsequent taxable years. Some jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular unitholder s income tax liability to the jurisdiction, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld will be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please see Tax Consequences of Unit Ownership Entity-Level Collections.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, of his investment in us. Accordingly, each prospective unitholder is urged to consult, and depend upon, his tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state, local and foreign, as well as United States federal tax returns, that may be required of him. Akin Gump Strauss Hauer & Feld LLP has not rendered an opinion on the state, local, or foreign tax consequences of an investment in us.

INVESTMENT IN GENESIS BY EMPLOYEE BENEFIT PLANS

An investment in Genesis by an employee benefit plan is subject to certain additional considerations because persons with discretionary control of assets of such plans (a fiduciary) are subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and transactions are subject to restrictions imposed by Section 4975 of the Code. As used in this prospectus, the term employee benefit plan includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, Simplified Employee Pension Plans, and tax deferred annuities or Individual Retirement Accounts (IRAs) established or maintained by an employer or employee organization. Among other things, consideration should be given to (1) whether such investment is prudent under Section 404(a)(1)(B) of ERISA, (2) whether in making such investment such plan will satisfy the diversification requirement of Section 404(a)(1)(C) of ERISA, and (3) whether such investment will result in recognition of unrelated business taxable income by such plan. Please read Material Income Tax Consequences Tax-Exempt Organizations and Other Investors. Fiduciaries should determine whether an investment in Genesis is authorized by the appropriate governing instrument and is an appropriate investment for such plan.

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In addition, a fiduciary of an employee benefit plan should consider whether such plan will, by investing in Genesis, be deemed to own an undivided interest in the assets of Genesis, with the result that the general partner would also be a fiduciary of such plan and Genesis would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Code.

Section 406 of ERISA and Section 4975 of the Code (which also applies to IRAs that are not considered part of an employee benefit plan; i.e., IRAs established or maintained by individuals rather than an employer or employee organization) prohibit an employee benefit plan from engaging in certain transactions involving plan assets with parties who are parties in interest under ERISA or disqualified persons under the Code with respect to the plan. Under Department of Labor regulations the assets of an entity in which employee benefit plans acquire equity interests would not be deemed plan assets if, among other things, (1) the equity interests acquired by employee benefit plans are publicly offered securities - i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered pursuant to certain provisions of the federal securities law, (2) the entity is an operating company - i.e., it is primarily engaged in the production or sale of a product or service other than the investment of capital, or (3) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest is held by employee benefit plans subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code. Genesis assets are not expected to be considered plan assets under these regulations because it is expected that the investment will satisfy the requirements in (1) above, and may also satisfy the requirements in (2) and (3).

Each person investing in Genesis will be deemed to represent that its acquisition, holding and disposition of such investment will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

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SELLING UNITHOLDERS

The selling unitholders are subsidiaries of Denbury, one of which owns all of the Class A membership interest in our general partner. In December of 2009, Denbury entered into an agreement to sell all of its Class A membership interest in our general partner to an affiliate of Quintanta Capital Group, L.P., which upon closing will result in that affiliate of Quintana becoming our general partner. The closing of that transaction is subject to certain conditions, including obtaining certain consents. The common units to be sold under this prospectus constitute all of the common units of our general partner owned by Denbury and its affiliates.

Each selling unitholder may elect to sell all, a portion or none of the common units it offers hereby, except that there are limits to how many units they may offer and sell at one time. See Plan of Distribution. Each selling unitholder will determine the prices and terms of the sales at the time of each offering made by it, and will be responsible for any fees, discounts or selling commissions due to brokers, dealers or agents. We will pay all of the other offering expenses, including reasonable fees and expenses of one legal counsel for the selling unitholders incurred in connection with each registration hereunder. We will not receive any of the proceeds from any sale of the common units sold pursuant to this prospectus.

The following table sets forth the following information regarding the selling unitholders as of January 21, 2010: the name of each selling unitholder, the nature of any position, office, or other material relationship that the selling unitholders have had within the past three years with us or with any of our predecessors or affiliates, the amount and percentage of our common units beneficially owned by such unitholder prior to the offering, and the amount being offered for the unitholder s account. We prepared the table based solely on our review of the Schedule 13G/A (Amendment No. 2) filed by Denbury with the Commission on February 17, 2009 or information otherwise provided by the selling unitholders. We have not sought to verify such information. Additionally, some or all of the selling unitholders may have sold or transferred some or all of their common units in exempt or non-exempt transactions, since such date. Other information about the selling unitholders may also change over time.

The selling unitholders identified below may currently hold or acquire at any time common units in addition to those registered hereby. In addition, the selling unitholders identified below may sell, transfer or otherwise dispose of some or all of their common units in private placement in transactions exempt from or not subject to the registration requirements of the Securities Act. Accordingly, we cannot give an estimate as to the amount of units that will be held by the selling unitholders upon termination of this offering. Other information about the selling unitholders may change over time. The selling unitholders include the entities identified in the following schedule and their pledges, donees (including charitable organizations), distributees, transferees, affiliates, or other successors-in-interest.

Classified Board. Shareholders prefer a declassified Board because it results in accountability for all directors if the Company does not perform.	**We prefer a classified board** because it leads to (1) greater stability and continuity (in that such director s offer more knowledge and deeper counsel about the business based on their longer tenure), and (2) protection against abusive takeover tactics. During periods of dramatic change in the strategy of the Company, this stability and continuity is an important benefit allowing the Company to accomplish the changes.

Director Independence

Our Corporate Governance Guidelines provide, among other things, that the Board will have a majority of directors who meet the criteria for independence required by the NYSE. In determining independence each year, the Corporate Governance and Directors Nominating Committee affirmatively determines whether directors have any material relationship with the Company. When assessing the materiality of a director s relationship with the Company, the committee considers all relevant facts and circumstances, not merely from the director s standpoint, but from that of the persons or organizations with which the director has an affiliation. The committee also reviews the frequency or regularity of services or transactions between the Company and directors, whether the services or transactions are being carried out at arm s length in the ordinary course of business and whether the services or transactions are being provided substantially on the same terms to the Company as those prevailing at the time from unrelated parties for comparable services or transactions. Material relationships can include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. To guide its determination of whether a director is independent, the Board has adopted the following NYSE listing standards:

A director will not be independent if:

- the director is, or has been, within the last three years, our employee, or an immediate family member[2] is, or has been within the last three years, our executive officer[3];

- the director or an immediate family member has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from us, other than director and committee fees and pension and other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

- the director is: (i) a current partner or employee of a firm that is our internal or external auditor; (ii) the director has an immediate family member who is a current partner of a firm that is our internal or external auditor and who personally works on the Company s audit; or (iii) the director or an immediate family member was within the last three years a partner or employee of a firm that is our internal or external auditor and personally worked on our audit within that time;
- the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company s compensation committee; or
- the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three calendar years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues.

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[2] An immediate family member includes a person s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares such person s home.

[3] The term executive officer has the same meaning specified for the term officer in Rule 16a-1(f) under the Securities Exchange Act of 1934.

Pursuant to our Corporate Governance Guidelines, the committee undertook its annual review of director independence in February 2014. During this review, the committee considered transactions and relationships between each director or any member of his immediate family and Hecla and our subsidiaries and affiliates, including relationships described below and any reported on page 43 under Certain Relationships and Related Transactions. The committee also examined transactions and relationships between directors or their affiliates and members of our senior management or their affiliates. As provided in the Corporate Governance Guidelines, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

Based upon an assessment of all facts and circumstances known to the committee, including, among other things, a review of questionnaires submitted by our directors, the committee and the Board affirmatively determined that the following directors are independent of the Company and its management under the standards set forth by the NYSE:

John H. Bowles	Dr. Anthony P. Taylor
Terry V. Rogers	George R. Nethercutt, Jr.
Charles B. Stanley	Ted Crumley

Messrs. Stanley and Baker both serve as members of the board of directors of QEP Resources, Inc., of which Mr. Stanley is CEO. The committee reviewed this relationship with the Board, and the Board made the affirmative decision that this relationship did not disqualify Mr. Stanley from being independent. Neither Mr. Baker nor Mr. Stanley serve on the Compensation Committee of either Hecla or QEP Resources, Inc.

Mr. Baker is our President and Chief Executive Officer. As such, he cannot be deemed independent under the NYSE listing standards.

Directors are expected to immediately inform the Board of any material change in their circumstances or relationships that may impact their independence.

Family Relationships

There are currently no family relationships between the directors or executive officers of Hecla.

Diversity Policy

While the Board has not adopted a formal policy on diversity, the Company s Corporate Governance Guidelines provide that, as a whole, the Board should include individuals with a diverse range of experience to give the Board depth and breadth in the mix of skills represented. The Board seeks to include an array of skills and experience in its overall composition rather than requiring every director to possess the same skills, perspective, and interests. This guideline is implemented by seeking to identify candidates who bring diverse skill sets, backgrounds, and experiences, including ethnic and gender diversity, to the Board when director candidates are needed.

Board Leadership and Executive Sessions

Currently, the positions of Chief Executive Officer and Chairman of the Board are held by separate persons. The Board believes this structure is optimal for the Company at this time because it allows the Chief Executive Officer to focus on leading the Company s business and operations, and the Chairman to serve as a sounding board and advisor to the Chief Executive Officer, and to lead the activities of the Board. The Board has also determined that having a non-management director serve as Chairman of the Board is in the best interest of shareholders. This structure ensures a greater role for the independent directors in the oversight of the Company and it enhances the Board s independence and, we believe, senior management s accountability to the Board.

Mr. Ted Crumley is our Chairman of the Board. He chairs meetings of the Board, as well as the executive sessions with independent members of the Board. His duties include chairing annual meetings of shareholders, overseeing the preparation of agendas for Board meetings, preparing for executive sessions of the Board and providing feedback to the Chief Executive Officer, staying current on developments to determine when it may be appropriate to alert the Board to significant pending developments, serving as a liaison between independent directors and the Chief Executive Officer with respect to sensitive issues, and other matters. Executive sessions of non-management directors are included on the agenda for every regularly scheduled Board and committee meeting and during 2013, executive sessions were held at each regularly scheduled Board meeting. The executive sessions are chaired by the Chairman of the Board. Our non-management directors meet in executive sessions without management present, unless the non-management directors request their attendance.

For the foregoing reasons we have determined that our leadership structure is appropriate in the context of our specific circumstances.

Succession Planning

The Compensation Committee of the Board, the Chief Executive Officer, and the Director of Human Resources maintain an ongoing focus on executive development and succession planning to prepare the Company for future events. In addition to preparing for the Chief Executive Officer s succession, the succession planning process includes all executive officer positions. A comprehensive review of executive talent determines participants readiness to take on additional leadership roles and identifies developmental and coaching opportunities needed to prepare them for greater responsibilities. The Chief Executive Officer and Director of Human Resources make a formal succession planning presentation to the Board annually.

In light of the critical importance of executive leadership to the Company s success, the Compensation Committee is charged with the responsibility of developing a process for identifying and evaluating candidates to succeed our Chief Executive Officer and to report annually to the Board on the status of the succession plan, including issues related to the preparedness for the possibility of an emergency situation involving senior management and assessment of the long-term growth and development of the senior management team.

In December 2013, the Board approved an amendment to the Company s Corporate Governance Guidelines to provide that in the event of the death, resignation, removal or incapacitation of (i) the current Chairman of the Board, as provided in the Bylaws, the President and Chief Executive Officer will act as the Chairman of the Board until his successor is duly elected, or (ii) the President and Chief Executive Officer, the Chairman of the Board will act as the President and Chief Executive Officer until his successor is duly elected.

Role of Board in Risk Oversight

Our management is responsible for identifying and reviewing risks facing the Company, including, without limitation, strategic, operational, financial, compensation and regulatory risks, and meets regularly as part of such responsibility to review and discuss the Company s risk exposure. The Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various standing committees of the Board that address risks inherent in their respective areas of oversight. In particular, the Board is responsible for monitoring and assessing strategic risk exposure. The Board and its committees periodically receive risk management updates through business reports from management provided at meetings of the Board or its committees throughout the year. Following consideration of the information provided by management, the Board provides feedback and makes recommendations, as needed, to help minimize the Company s risk exposure. We also believe that our leadership structure and the use of executive sessions as described above aids the Board in risk oversight.

The Audit Committee is responsible for considering and discussing major financial risk exposures and the steps management has taken to monitor and control these exposures. The committee regularly reviews and monitors compliance with securities and financial regulations, in addition to overseeing the audit work performed on behalf of the Company in the area of internal audit for compliance with the Sarbanes-Oxley Act. The committee meets at least quarterly to review the major financial risk exposures in connection with various matters, including the filing of quarterly reports with the SEC.

The Corporate Governance and Directors Nominating Committee monitors the effectiveness of the Company s Corporate Governance Guidelines.

The Compensation Committee assesses and monitors whether any of the Company s compensation policies and programs have the potential to encourage excessive risk-taking.

To the extent any risks identified by each standing committee of the Board are material or otherwise merit discussion by the whole Board, the respective committee chairman will raise risks at the next scheduled meeting of the Board.

For the foregoing reasons, we have determined that our risk oversight is appropriate in the context of our specific circumstances, risk management efforts, and the Board s administration of its oversight function.

Board Self-Evaluation

Each year the Board conducts a self-evaluation of its performance and effectiveness. As part of this process, each director completes an evaluation form on specific aspects of the Board s role, organization and meetings. The collective comments are then presented by the chairman of the Corporate Governance and Directors Nominating Committee to the whole Board. As part of the evaluation, the Board assesses the progress in the areas targeted for improvement a year earlier, and develops actions to take to enhance the Board s effectiveness over the next year. Additionally, each committee conducts an annual self-evaluation of its performance through a similar process.

Director Communications

Shareholders or other interested parties wishing to communicate with the Chairman or with the independent directors as a group may do so by delivering or mailing the communication in writing to: Chairman of the Board, c/o Corporate Secretary, Hecla Mining Company, 6500 N. Mineral Drive, Suite 200, Coeur d Alene, Idaho 83815-9408. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal auditor and handled in accordance with procedures established by the Audit Committee with respect to such matters. From time-to-time, the Board may change the process by which shareholders may communicate with the Board or its members. Please refer to our website at http://www.hecla-mining.com under the tab entitled Company and then select the tab entitled Corporate Governance for any changes in this process.

Electronic Access to Corporate Governance Documents

Our corporate governance documents are available by accessing our website at http://www.hecla-mining.com under the tab entitled Company and then selecting the tab entitled Corporate Governance. These include:

- Corporate Governance Guidelines;
- Whistleblower Policy;
- Charters of the Audit, Compensation, Corporate Governance and Directors Nominating and Health, Safety, Environmental & Technical Committees of the Board;
- Code of Ethics for our Chief Executive Officer and Senior Financial Officers; and
- Code of Business Conduct and Ethics for Directors, Officers and Employees.

The information on our website is not incorporated by reference into this Proxy Statement.

Shareholders may also request a free copy of these documents from: Investor Relations, Hecla Mining Company, 6500 N. Mineral Drive, Suite 200, Coeur d Alene, Idaho 83815-9408; (208) 769-4100.

Corporate Governance Guidelines

The Corporate Governance Guidelines were adopted by the Board to ensure that the Board is independent from management, that the Board adequately performs its function as the overseer of management, and to help ensure that the interests of the Board and management align with the interests of our shareholders.

Code of Business Conduct and Ethics

We believe that operating with honesty and integrity has earned trust from our shareholders, credibility within our community, and dedication from our employees. Our directors, officers and employees are required to abide by our Code of Business Conduct and Ethics to ensure that our business is conducted in a consistently legal and ethical manner. Our Code of Business Conduct and Ethics covers many topics, including conflicts of interest, confidentiality, fair dealing, protection, proper use of the Company s assets, and compliance with laws, rules and regulations. In addition to the Code of Business Conduct and Ethics for directors, officers and employees, our Chief Executive Officer, Chief Financial Officer and Controller are also bound by a Code of Ethics for the Chief Executive Officer and Senior Financial Officers.

The Corporate Governance and Directors Nominating Committee has adopted procedures to receive, retain, and react to complaints received regarding possible violations of the Code of Business Conduct and Ethics, and to allow for the confidential and anonymous submission by employees of concerns regarding possible violations of the Code of Business Conduct and Ethics. Our employees may submit any concerns regarding apparent violations of the Code of Business Conduct and Ethics to their supervisor, our General Counsel, the Chairman of the Corporate Governance and Directors Nominating Committee, or through an anonymous telephone hotline.

Whistleblower Policy

The Audit Committee adopted a Whistleblower Policy, which encourages our employees to report to appropriate Company representatives, without fear of retaliation, certain accounting information relating to possible fraud. Our employees may submit any concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters to the Audit Committee, our General Counsel, or through an anonymous telephone hotline. The goal of this policy is to discourage illegal activity and business conduct that damages Hecla s reputation, business interests, and our relationship with shareholders.

Stock Ownership Guidelines

In an effort to more closely align the Company s non-management directors financial interests with those of the shareholders, in June 2012, the Compensation Committee and Board adopted stock ownership guidelines for our non-management directors. Under these guidelines, each non-management director is encouraged to own shares of common stock (which includes shares held under the Hecla Mining Company Stock Plan for Nonemployee Directors) valued at three times their annual cash retainer and should comply with the guidelines within five years of the adoption of the guidelines.

Similarly, we believe that it is important to encourage our executive officers to hold a material amount of our common stock and to link their long-term economic interest directly to that of our shareholders. To achieve this goal, in June 2012, the Company established stock ownership guidelines for the Company s senior management. The guidelines for the Chief Executive Officer are six times base salary, which should be achieved within five years of the adoption of the guidelines. The guidelines for all other executive officers are two times base salary, which should be achieved within five years of the adoption of the guidelines. Unvested shares of restricted stock, restricted stock units and shares held directly are considered owned for purposes of the guidelines. Stock ownership does not include unexercised stock options. See Executive Stock Ownership as of December 31, 2013 on page 79.

Board Meetings During 2013

It is our policy that all directors are expected, absent compelling circumstances, to prepare for, attend and participate in all Board and applicable committee meetings, and each annual meeting of shareholders. Our Board met six times in calendar year 2013, of which four were regularly scheduled meetings. Each member of the Board attended all Board meetings and meetings of Board committees of which he was a member in calendar year 2013. All members of the Board attended last year s Annual Meeting of Shareholders, which was held in May 2013.

Committee Assignments

The members of the Board on the date of this Proxy Statement, and the committees of the Board on which they serve, are identified below. There are currently seven members on our Board.

Director	Executive Committee	Audit Committee	Compensation Committee	Corporate Governance and Directors Nominating Committee	Health, Safety, Environmental and Technical Committee
Phillips S. Baker, Jr.	Chair				
John H. Bowles	X	Chair			X
Ted Crumley *	X		X		
George R. Nethercutt, Jr.			Chair	X	
Terry V. Rogers		X	X		Chair
Charles B. Stanley		X		X	X
Dr. Anthony P. Taylor			X	Chair	X
2013 Meetings	0	6	4	3	4

* Chairman of the Board

Committees of the Board

The Board has five standing committees: Audit; Compensation; Corporate Governance and Directors Nominating; Health, Safety, Environmental & Technical; and Executive. Information regarding these committees is provided below. With the exception of the Executive Committee, all remaining committees are composed entirely of independent directors. The charters of the Audit, Compensation, Corporate Governance and Directors Nominating, and Health, Safety, Environmental and Technical Committees are available on the Company s website at http://www.hecla-mining.com under Company and then select Corporate Governance. You may also obtain copies of these charters by contacting the Company s Investor Relations Department.

Executive Committee. The Executive Committee is empowered with the same authority as the Board in the management of our business, except for certain matters enumerated in our Bylaws or Delaware law, which are specifically reserved to the whole Board.

Audit Committee. The functions of the Audit Committee are described under the heading Audit Committee Report beginning on page 25. Each member of the committee satisfies the definition of independent director as established in the NYSE listing standards and SEC rules. In addition, each member of the committee is financially literate and the Board has determined that each member of the committee qualifies as an audit committee financial expert as defined by SEC rules.

Compensation Committee. Each member of the Compensation Committee is independent within the meaning of the listing standards of the NYSE. The committee s principal functions are to: (i) recommend compensation levels and programs for the Chief Executive Officer to the independent members of the Board; (ii) recommend compensation levels and programs for all other executive officers to the full Board; and (iii) administer our stock-based plans.

The committee s objective is to set executive compensation at levels which: (i) are fair and reasonable to the shareholders; (ii) link executive compensation to long-term and short-term interests of the shareholders; and (iii) are sufficient to attract, motivate, and retain outstanding individuals for executive positions. The executive officers compensation is linked to the interests of the shareholders by making a significant part of each executive officer s potential compensation depend on the Company s performance and the officer s own performance. The retention of executive officers is encouraged by making a portion of the compensation package in the form of awards, which either increase in value, or only have value if the executive officer remains with the Company for specified periods of time.

Additional information on the committee s processes and procedures for consideration of executive compensation are addressed in the Compensation Discussion and Analysis beginning on page 50.

Corporate Governance and Directors Nominating Committee. All members of the Corporate Governance and Directors Nominating Committee are independent within the meaning of the listing standards of the NYSE. The committee s principal functions are to: (i) consider matters of corporate governance; (ii) periodically review our Corporate Governance Guidelines and corporate governance procedures to ensure compliance with the federal securities laws and NYSE regulations; (iii) review any director candidates, including those nominated or recommended by shareholders; (iv) identify individuals qualified to become directors consistent with criteria approved by the Board; (v) recommend to the Board the director nominees for the next annual meeting of shareholders, any special meeting of shareholders, or to fill any vacancy on the Board; (vi) review the appropriateness of the size of the Board relative to its various responsibilities; and (vii) recommend committee assignments and committee chairpersons for the standing committees for consideration by the Board.

Health, Safety, Environmental & Technical Committee. The principal functions of the Health, Safety, Environmental & Technical Committee are to review and monitor: (i) health, safety and environmental policies; (ii) the implementation and effectiveness of compliance systems; (iii) the effectiveness of health, safety and environmental policies, systems and monitoring processes; (iv) audit results and updates from management with respect to health, safety and environmental performance; (v) emerging health, safety and environmental trends in legislation and proposed regulations affecting the Company; and (vi) review the technical activities of the Company. The committee also makes recommendations to the Board concerning the advisability of proceeding with the exploration, development, acquisition or divestiture of mineral properties and/or operations.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We review all relationships and transactions with related persons to determine whether such persons have a direct or indirect material interest. Transactions with related persons are those that involve our directors, executive officers, director nominees, greater than 5% shareholders, immediate family members of these persons, or entities in which one of these persons has a direct or indirect material interest. Transactions that are reviewed as related party transactions by us are transactions that involve amounts that would exceed $120,000 (the current threshold required to be disclosed in the Proxy Statement under SEC regulations) and certain other similar transactions. Pursuant to our Code of Business Conduct and Ethics, employees and directors have a duty to report any potential conflicts of interest to the appropriate level of management or to the Corporate Governance and Directors Nominating Committee. We evaluate these reports along with responses to our annual director and officer questionnaires for any indication of possible related party transactions. Our legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related party transactions. If a transaction is deemed by us to be a related party transaction, the information regarding the transaction is discussed with the Board. As required under the SEC rules, transactions that are determined to be directly or indirectly material to Hecla or a related party are disclosed in our Proxy Statement.

In December 2007, upon Board approval, we created the Hecla Charitable Foundation (the Foundation). We have made and intend to continue to make charitable contributions to the Foundation, which in turn has provided and intends to continue to provide grants to other organizations for charitable and educational purposes. Phillips S. Baker, Jr., serves as the president and as a director of the Foundation. James A. Sabala serves as vice president and as Chairman, and Dr. Dean W.A. McDonald serves as a director of the Foundation. In December 2007, our Board committed to make a contribution of 550,000 shares of our common stock to the Foundation. Since 2007, the Foundation has sold 279,860 shares of the Company. Cash contributions totaling $2.0 million and $1.5 million were made by the Company to the Foundation during 2011 and 2010, respectively. The funds from the sale of the shares and the additional cash were put into various investment accounts. The Foundation is currently operating in a self-sufficient manner. The Company gave no additional funds to the Foundation during 2013. The Foundation currently holds 270,140 shares of our common stock as of December 31, 2013. The value of those shares based on the closing price of our common stock on the NYSE on December 31, 2013 ($3.08), was $832,031. In 2013, the Foundation gave $349,014 in donations.

In 2013, we did not make any contribution to any charitable organization in which a director served as an executive officer, which exceeded the greater of $1 million or 2% of the charitable organization s consolidated gross revenues.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the number and percentage of the shares of common stock beneficially owned by each current director and each current executive officer of Hecla, and by all current directors and executive officers as a group, as of March 24, 2014. On that date, all of such persons together beneficially owned an aggregate of less than one percent of the outstanding shares of our common stock. Except as otherwise indicated, the directors, nominees and officers have sole voting and investment power with respect to the shares listed, including shares which the individual has the right to acquire by exercising stock options but has not done so.

Name of Beneficial Owner	Title of Class	Shares Beneficially Owned Number	Shares Beneficially Owned Nature	Percent of Class
Phillips S. Baker, Jr.		1,017,839[6]	Direct[1]	
President and Chief Executive		480,098	RSU[2]	
Officer		373,217	Vested Options[3]	
		90,789	Deferred Shares[4]	
		278,407	Performance Units[5]	*
	Common	2,240,350		
Dr. Dean W.A. McDonald		134,128	Direct[1]	
Senior Vice President -		221,320	RSU[2]	
Exploration		103,671	Vested Options[3]	
	Common	459,119		*
Don Poirier		116,756	Direct[1]	
Vice President - Corporate		158,217	RSU[2]	
Development		82,937	Vested Options[3]	
	Common	357,910		*
Lawrence P. Radford		59,043	Direct[1]	
Senior Vice President -		269,738	RSU[2]	
Operations	Common	328,781		*
James A. Sabala		121,546[7]	Direct[1]	
Senior Vice President and		323,392	RSU[2]	
Chief Financial Officer	Common	444,938		*
David C. Sienko		51,455	Direct[1]	
Vice President and General		139,862	RSU[2]	
Counsel		45,581	Vested Options[3]	
	Common	236,898		*

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Name of Beneficial Owner	Title of Class	Shares Beneficially Owned Number	Nature	Percent of Class
John H. Bowles		38,630	Direct[1]	
Director		33,614	Indirect[8]	
	Common	72,244		*
Ted Crumley		49,630	Direct[1]	
Director		59,730	Indirect[8]	
	Common	109,360		*
George R. Nethercutt, Jr.		33,630	Direct[1]	
Director		35,029	Indirect[8]	
	Common	68,659		*
Terry V. Rogers		33,630	Direct[1]	
Director		28,777	Indirect[8]	
	Common	62,407		*
Charles B. Stanley		33,630	Direct[1]	
Director		28,777	Indirect[8]	
	Common	62,407		*
Dr. Anthony P. Taylor		25,614	Direct[1]	
Director		2,500	IRA	
	Common	53,191	Indirect[8]	
		81,305		*
All current directors, nominee directors and officers as a group (12 individuals)	Common	4,524,378		*

* Represents beneficial ownership of less than one percent, based upon ___________ shares of our common stock issued and outstanding as of March 24, 2014.

1. Direct means shares held of record and any shares beneficially owned through a trust, broker, financial institution, or other nominee, and which the officer or director has sole or shared voting power.

2. RSU means restricted stock units awarded under the Key Employee Deferred Compensation Plan or 2010 Stock Incentive Plan that have not vested. See footnotes 2, 3 and 6 of the Outstanding Equity Awards at Calendar Year-End for 2013 on page 87 and footnote 4 of the Summary Compensation Table for 2013 on page 83.

3. Vested Options mean options granted under the 1995 Stock Incentive Plan and 2010 Stock Incentive Plan, which are vested and exercisable within 60 days of March 24, 2014.

4. Deferred Shares means restricted stock units that have vested, but are deferred until a distributable event under the terms of the Key Employee Deferred Compensation Plan.

5. Performance Units means performance-based equity, based on a three-year Total Shareholder Return. See Performance-based Shares on page 76 and Outstanding Equity Awards at Calendar Year-End for 2013 table on page 87.

6. 684,140 shares are held jointly with Mr. Baker s spouse, as to which Mr. Baker shares voting and investment power.

7. All 121,546 shares are held jointly with Mr. Sabala s spouse, as to which Mr. Sabala shares voting and investment power.

8. Indirect means shares credited to each independent director, all of which are held indirectly in trust pursuant to our Stock Plan for Nonemployee Directors. Each director disclaims beneficial ownership of all shares held in trust under the stock plan. See Compensation of Non-Management Directors on page 47.

To our knowledge, as of March 24, 2014, the only beneficial owners (as such term is defined in Rule 13d-3 under the Exchange Act) of more than 5% of our common stock entitled to vote at the Annual Meeting are shown in the table below:

Title of Class	Name & Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class
Common	The Vanguard Group, Inc.[1] 100 Vanguard Blvd. Malvern, PA 19355	19,601,801	_____%
Common	BlackRock, Inc.[2] 40 East 52nd New York, NY 10022	19,452,122	_____%
Common	Van Eck Associates Corporation[3] 335 Madison Ave., 19th Floor New York, NY 10017	19,118,710	_____%

1. Based solely on a Schedule 13G filed on February 11, 2014, with the SEC by The Vanguard Group, Inc. The Vanguard Group, Inc. has sole voting power with respect to 542,645 shares, shared dispositive power with respect to 506,973 shares, and sole dispositive power with respect to 19,094,828 shares.

2. Based solely on a Schedule 13G filed on January 29, 2014, with the SEC by BlackRock, Inc. BlackRock, Inc. has sole voting power with respect to 18,323,696 shares and sole dispositive power with regard to 19,452,122 shares.

3. Based solely on a Schedule 13G filed on February 12, 2014, with the SEC by Van Eck Associates Corporation. Van Eck Associates Corporation has sole voting and dispositive power with respect to all shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC reports regarding their ownership and changes in their ownership of our stock. These persons are required by the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of copies of such forms, or written representations from certain reporting persons that no such forms were required, we believe that during the calendar year ended December 31, 2013, all filing requirements applicable to our officers, directors and greater than 10% owners of our common stock were complied with.

COMPENSATION COMMITTEE INTERLOCKS
AND INSIDER PARTICIPATION

The members of the Compensation Committee are set forth in the Compensation Committee Report. There are no members of the Compensation Committee who were officers or employees of Hecla or any of our subsidiaries during the fiscal year, formerly were officers of Hecla or any of our subsidiaries, or had any relationship otherwise requiring disclosure under the proxy rules promulgated by the SEC or the NYSE.

COMPENSATION OF NON-MANAGEMENT DIRECTORS

The Compensation Committee of the Board is responsible for recommending to the Board the form and amount of compensation for our non-management directors. The compensation program is designed to provide pay that is competitive with directors in the Company s peer group, which is described on page 63 of the Compensation Discussion and Analysis in this Proxy Statement. It consists of a combination of cash retainers and equity awards. The committee periodically engages its compensation consultant to review compensation of the Company s Board compared to the Company s peer group. The following discussion of compensation applies only to our non-management directors, and does not apply to Mr. Baker who, as an employee of the Company, is compensated as an executive officer and does not receive additional compensation for his service as a director.

As a result of its periodic review of Board compensation, in 2013, the committee did not adjust the current compensation of members of the Board.

Cash Compensation

Each non-management director receives an annual cash retainer for his service on the Board in the amount of $66,000. The Chairman of the Board receives an additional annual cash retainer in the amount of $75,000. For service on Board committees or as chairman of the committees: (i) each non-management member of the Audit and Compensation Committees receives an annual fee of $12,000; (ii) each non-management member of the Executive, Corporate Governance and Directors Nominating, and Health Safety, Environmental and Technical Committees receives an annual fee of $8,000; (iii) the committee chairman for each of the Audit and Compensation Committees receives an additional annual fee of $8,000; and (iv) the committee chairman for each of the Health, Safety, Environmental and Technical and Corporate Governance and Directors Nominating Committees receives an additional annual fee of $4,000.

All of the above annual fees are paid in quarterly installments. No other attendance fees are paid to the non-management directors. The non-management directors do not receive stock options, non-equity incentive plan compensation, or any other compensation, except as described below.

Equity Compensation

In March 1995, we adopted the Hecla Mining Company Stock Plan for Nonemployee Directors, which became effective following shareholder approval on May 5, 1995. The plan was amended July 18, 2002, February 25, 2004, May 6, 2005, December 10, 2007, and May 24, 2012. The plan terminates July 17, 2017, and is subject to termination by the Board at any time. Pursuant to the plan, on May 30 of each year, each non-management director is credited with a number of shares determined by dividing $24,000 by the average closing price for Hecla s common stock on the NYSE for the prior calendar year. Non-management directors joining the Board after May 30 of any year are credited with a pro rata number of shares based upon the date they join the Board. These shares are held in a grantor trust, the assets of which are subject to the claims of our creditors, until delivered under the terms of the plan. Delivery of the shares from the trust occurs upon the earliest of: (i) death or disability; (ii) retirement from the Board; (iii) a cessation of the director s service for any other reason; (iv) a change of control of the Company (as defined in the plan); or (v) at the election of the director at any time, provided, however, that shares must be held in the trust for at least two years prior to delivery. Subject to certain restrictions, directors may elect delivery of the shares on such date or in annual installments thereafter over 5, 10 or 15 years. The maximum number of shares of common stock which may be credited pursuant to the plan is 1,000,000. As of December 31, 2013, there were 594,635 ungranted shares remaining in the plan.

In February 2010, we adopted the 2010 Stock Incentive Plan for executive officers, employees, directors, and certain consultants, which was approved by shareholders in June 2010, and became effective on August 25, 2010. Pursuant to the 2010 Stock Incentive Plan, directors may be awarded grants of stock options, restricted stock units, restricted stock, or stock. In June 2013, the Compensation Committee recommended that the Board award $46,000 of additional stock to the directors as part of their compensation. The Board approved the additional award, and each of the directors received 15,700 additional shares under the 2010 Stock Incentive Plan in June 2013.

Other

The Company covers directors under its overall director and officer liability insurance policies, as well as reimbursing them for travel, lodging, and meal expenses incurred in connection with their attendance at Board and committee meetings, meetings of shareholders, and for traveling to visit our operations. Directors are eligible, on the same basis as Company employees, to participate in the Company s matching gift program, pursuant to which the Company matches contributions made to qualifying nonprofit organizations. The aggregate annual limit per participant is $5,000. Beyond these items, no other cash compensation was paid to any non-management director.

As described more fully above, the following chart summarizes the annual cash and equity compensation for our non-management directors during 2013.

Non-Management Director Compensation for 2013

Director	Annual Retainer ($)	Committee Meeting Fees ($)	Fees Committee Chairman Fees ($)	Totals Fees Paid in Cash ($)	Stock Awards[1] ($)	All Other Compensation[2] ($)	Total ($)
Ted Crumley, Chairman	141,000	20,000	0	161,000	18,420[3] 46,001[4]	500	225,921
John H. Bowles	66,000	28,000	8,000	102,000	18,420[3] 46,001[4]	0	166,421
George R. Nethercutt, Jr.	66,000	20,000	8,000	94,000	18,420[3] 46,001[4]	0	158,421
Terry V. Rogers	66,000	32,000	4,000	102,000	18,420[3] 46,001[4]	0	166,421
Charles B. Stanley	66,000	28,000	0	94,000	18,420[3] 46,001[4]	0	158,421
Dr. Anthony P. Taylor	66,000	28,000	4,000	98,000	18,420[3] 46,001[4]	0	162,421

1. The amounts shown in this column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For a description of the assumptions used in valuing the awards please see Note 9 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

2. Amounts in this column reflect matching contributions under the Company s charitable matching gift program.

3. On May 30, 2013, each non-management director received 4,675 shares of our common stock under the terms of the Stock Plan for Nonemployee Directors. Based on our closing stock price on the NYSE on May 30, 2013 ($3.94), the grant date fair value for each block of 4,675 shares credited to Messrs. Crumley, Bowles, Nethercutt, Rogers, Stanley and Taylor on May 30, 2013, was $18,420. (The amounts do not reflect the actual amounts that may be realized by the directors.)

4. On June 21, 2013, each non-management director received 15,700 shares of our common stock under the terms of the 2010 Stock Incentive Plan. Based on our closing stock price on the NYSE on June 21, 2013 ($2.93), the grant date fair value for each block of 15,700 shares credited to Messrs. Crumley, Bowles, Nethercutt, Rogers, Stanley and Taylor on June 21, 2013, was $46,001. (The amounts do not reflect the actual amounts that may be realized by the directors.)

Share Ownership Guidelines for Directors

In June 2012, the Compensation Committee and Board adopted stock ownership guidelines for our non-management directors. Under these guidelines, each non-management director is encouraged to own shares of common stock (which includes shares held under the Hecla Mining Company Stock Plan for Nonemployee Directors) valued at three times their annual cash retainer and should comply with the guidelines within five years of the adoption of the guidelines. As of December 31, 2013, Messrs. Bowles, Nethercutt and Taylor are each in compliance with the stock ownership guidelines. Messrs. Crumley, Rogers and Stanley have until June 2017 to comply with the guidelines.

Director Stock Ownership as of December 31, 2013

Director	Annual Retainer ($)	X Annual Retainer	Total Value of Shares to be Held ($)	Shares Held Directly (#)	Shares Held in Directors Trust[1] (#)	Total Shares (#)	Total Value of Shares Held by Director at 12/31/13 ($3.08) ($)
Bowles	66,000	3x	198,000	38,630	33,614	72,244	222,512
Crumley	141,000	3x	423,000	49,630	59,730	109,360	336,829
Nethercutt	66,000	3x	198,000	33,630	35,029	68,659	211,470
Rogers	66,000	3x	198,000	33,630	28,777	62,407	192,214
Stanley	66,000	3x	198,000	33,630	28,777	62,407	192,214
Taylor	66,000	3x	198,000	28,114[2]	53,191	81,305	250,419

1. As of December 31, 2013, the total amount of shares held in trust pursuant to the terms of the Stock Plan for Nonemployee Directors by each of the above-named directors.

2. Includes 2,500 shares held in an IRA by Dr. Taylor.

Additional information regarding shares held by the non-management directors is included in the Security Ownership of Certain Beneficial Owners and Management table on page 44.

Retirement Age

The Company has no current retirement plan for non-management directors. Our Bylaws and Corporate Governance Guidelines provide that directors will not be nominated for reelection after their 72nd birthday. At the time of the Annual Meeting, Dr. Taylor will be 72. At the recommendation of the Corporate Governance and Directors Nominating Committee (with Dr. Taylor recusing himself from the meeting), the Board elected to waive the retirement age requirement and nominated Dr. Taylor to stand for re-election at the Annual Meeting. In reaching this decision, the Board noted that Dr. Taylor s extensive experience, and the continuity of leadership would benefit Hecla and its shareholders. At the same time, the Board affirmed its support of the mandatory retirement age.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) provides shareholders with a description of the material elements of Hecla s compensation program for its executive officers, including the Named Executive Officers (NEOs), for 2013 and the policies and objectives that support the program. The compensation details are reflected in the compensation tables and accompanying narratives that follow.

The NEOs who are discussed throughout this CD&A and in the compensation tables are:

Name	Age	Position
Phillips S. Baker, Jr.	54	President and Chief Executive Officer
James A. Sabala	59	Senior Vice President and Chief Financial Officer
Lawrence P. Radford	53	Senior Vice President Operations
Dr. Dean W.A. McDonald	57	Senior Vice President Exploration
David C. Sienko	45	Vice President General Counsel
Don Poirier	55	Vice President Corporate Development

Executive Summary

Our stock price is heavily influenced by silver, gold, lead and zinc prices, which fluctuate widely and are primarily driven by economic, political and regulatory factors that are difficult to predict and outside of the Company s control.

Precious metals companies such as Hecla create continuing shareholder value by finding, developing and mining ore over a long period of time. This allows shareholders to realize share price appreciation for discovery, production growth, metals price increases or all three. Hecla has been one of the best performing stocks on the NYSE when discovery, production growth or metals price increases occur. To accomplish this, Hecla has had to make substantial and sustained investments in exploration and pre-development, at the expense of current earnings or invest in capital expenditure programs, at the expense of free cash flow. Because of the prominence of earnings and net asset value in assessing the perceived value of a company, this requires a balance of short-term performance with long-term objectives; a balance that changes with the life cycle of projects and mines, political and regulatory environment, and the prices of the products whose volatility is high.

In 2011 and 2012, our executive team navigated our Company through difficult years: settling environmental litigation with the federal government that had continued for almost 20 years, experiencing the first fatalities at the Lucky Friday mine in 25 years, and having the Lucky Friday operations temporarily ceased while the shaft was rehabilitated. 2013 was a transformational year for Hecla with significant operating, exploration, acquisition and financial accomplishments. We believe our executive compensation programs, as more fully described in this CD&A and accompanying tables contained in this Proxy Statement, are structured in a manner that encouraged management to take the steps it did in the past three years, as well as to support our culture that has guided us for 123 years.

Despite the lower metals prices in 2013, we significantly improved our operating performance. Our overall operating and financial results are more fully described in *Management s Discussion and Analysis of Financial Conditions and Results of Operations* in our Annual Report on Form 10-K filed with the SEC on February 19, 2014. Our 2013 results were strong relative to our 2012 results. In 2013, we achieved the following:

- Produced 8.9 million ounces of silver, a 39% increase over 2012;
- Produced 119,989 ounces of gold, of which 62,532 ounces were produced at Casa Berardi;
- Increased year-end silver reserve levels for the eighth consecutive year to the highest in Company history, with silver reserves up 13% to 170 million ounces;
- Increased proven and probable gold reserves by 190% to 2.1 million ounces, a record level for the Company, principally due to the acquisition of Aurizon Mines Ltd.;
- Achieved operating cash flow of $26.6 million;
- Ended the year with a cash balance of $212.2 million, compared to $191 million in 2012; and
- Paid common stock dividends totaling $6 million, or $0.02 per share.

In 2013, we also maintained our strategic focus and achieved several important strategic and operational milestones that we believe position us well for the future, including:

- Acquired Aurizon Mines Ltd. and its Casa Berardi gold mine;
- Returned Lucky Friday to historical full production rate; and
- In connection with the Aurizon acquisition, we issued $500 million of 6.875% senior notes due in 2021.

Shareholder Outreach

As a result of last year s say-on-pay vote, which achieved 53.4% support, the Company undertook significant shareholder outreach efforts following the issuance of reports from proxy advisory firms after our 2013 Proxy Statement was filed. In September 2013, the Chairman of the Compensation Committee contacted investors that as of June 30th collectively held over 39% of the Company s common stock. The purpose was to gain insight into and perspective on our executive compensation programs and policies, as disclosed in our proxy statement and supplemental filings for our 2013 Annual Meeting. A management team (excluding NEOs) ultimately held one-on-one discussions with shareholders holding over 15% of the Company s common stock obtaining constructive feedback on our executive compensation program.

The Compensation Committee, with assistance from management and its compensation consultant, considered the opinions heard during these meetings and reviewed the results of the meetings with the full Board over several months. While investors had varying perspectives, a few common themes emerged from the discussions. All investors conveyed a desire that the existing connection between pay and performance should be enhanced.

As a result of the feedback received from our shareholders and the committee s ongoing efforts to ensure a strong alignment between executive pay and Company performance, the committee made the following changes to the executive compensation program:

What we heard . . .	How we responded . . .
The Annual Incentive Plan has too much discretion with the committee and no apparent metrics. Shareholders prefer awards based on measurable improvements in performance against objective metrics considered to be key drivers of value creation, such as return on equity, earnings per share, production growth in reserves, or EBITDA.	**Modified the Annual Incentive Plan,** starting with the 2014 Annual Incentive Plan, in an effort to achieve a more formulaic approach, with less committee discretion. See Overview of 2014 Compensation Program Changes on page 54.
The Company doesn t publish its existing three-year plans under its Long-term Incentive Plan. In past years we have published only the three-year plan that culminated that year and the awards received under the plan.	**We added information on all of our currently active three-year plans.** We added a description for each of our current three-year plans (2012-2014, 2013-2015, and 2014-2016). See the discussion under Overview of 2014 Compensation Program Changes on page 54.
The Change of Control Agreements have a single-trigger for vesting of equity. Our Employment Agreements actually provided for a double-trigger. But our stock plans provided for a single-trigger.	**We amended our agreements in February 2014, to further clarify the double-trigger.** It was not necessary to amend the stock plans because we believe the single-trigger in the stock plans is an appropriate benefit for the non-executive employees who receive equity under the stock plans. We further amended the agreements so they are now entitled Change of Control Agreements. See Change of Control Agreements on page 81.
Communications are not transparent enough. Shareholders expect an explicit and easily understood explanation of our program and its outcomes in the Compensation Discussion and Analysis.	**We revised our Compensation Discussion and Analysis**. We have overhauled the presentation of how we deliver pay and make pay decisions to increase clarity. In addition, our new compensation framework is designed to be easier to understand and more transparent.

Overview of 2014 Compensation Program Changes

In response to shareholder feedback, market trends and evolving business priorities, we are introducing changes for 2014 that we believe will create a clearer, more transparent connection between our key business priorities and business performance and incentive payouts. We believe these changes will create a stronger, more direct link between the NEOs' pay and long-term shareholder value. The changes include:

Annual Incentive Plan. The Hecla Mining Company Performance Pay Compensation Plan has been amended and is now known as the Hecla Mining Company Annual Incentive Plan. The Annual Incentive Plan (AIP) factors were divided into the following components, which may be modified by the committee from time to time, including with respect to the relative weights:

- Quantitative corporate performance factors, normally comprising 50% of the targeted award;
- Qualitative set of goals, normally comprising 25% of the targeted award; and
- Discretionary factor as determined by the committee, normally comprising 25% of the targeted award.

While each component can achieve two and a half times the target, the maximum total payout is limited to two times the target award level.

In 2014, the quantitative corporate performance factors are divided equally into two factors: EBITDA and production.

The EBITDA target is $145 million, a 56% increase over 2013 EBITDA. In 2013, EBITDA was $92.7 million despite higher average prices than targeted for 2014. Maximum payout is achieved if EBITDA is $250 million, which is $105 million more than target or 72% improvement in EBITDA. There is no payout if EBITDA is less than $115 million. This component of the AIP will not assume fixed metals prices. Management will have to adjust programs to react to the metals prices to maintain EBITDA.

EBITDA GOAL METRICS

2014 EBITDA Result		% Performance Value
$250mm	Maximum	62.5%
$175mm		50%
$145mm	**Target**	**25%**
$115mm	Minimum	10%
< $115mm		0%

The production factor is determined from production guidance. Achieving the midpoint of production guidance with gold converted to silver at a ratio of 60 to 1 only achieves the minimum payout. To achieve target, production must be 7% better than our guidance. Maximum payout is attained if production achieves 24 million ounces or 17% better than guidance. Achieving this level of production probably requires an acquisition by late in the year. The minimum payout is 27% better than 2013 silver equivalent production. Target requires an almost 37% increase, while the maximum payout is an almost 50% increase.

PRODUCTION GOAL METRICS

2014 Production in Silver Equivalent Ounces

2014 Production Result		% Performance Value
24.0mm	Maximum	62.5%
23.5mm		50%
22mm	**Target**	**25%**
20.5mm	Minimum	10%
<20.5mm		0%

The qualitative goals are recommended by management, approved by the Board, and cover the areas of safety & health, operations, financial and cost controls, development projects, exploration, growth, legal, investors, industry visibility, human capital development and government & community affairs.

Change of Control Agreements. The committee added double-trigger provisions for the acceleration of vesting of time-based equity awards on a change of control. On February 21, 2014, the committee recommended, and the Board approved, the Company entering into a new Change of Control Agreement (CIC Agreement) with each of the NEOs. These CIC Agreements replace in their entirety the Employment Agreements (Prior Agreements) previously entered into between the Company and the NEOs. The terms of the new CIC Agreements are substantially the same as those of the Prior Agreements, with the exception that the CIC Agreements now have a double trigger rather than a single trigger as in the Prior Agreements with respect to accelerated vesting of time-based equity awards made to the NEOs under the Company s equity compensation plans. The Prior Agreements allowed for such accelerated vesting upon a change of control. Under the CIC Agreements, this provision has been eliminated and vesting of equity awards is accelerated if (i) the NEO is terminated without cause or (ii) leaves for good reason, following a change of control.

See Change of Control Agreements and Termination on page 90 for further discussion on the Change of Control Agreements.

Long-term Incentive Plan. In an effort to be more transparent in our executive compensation program, we provide the current three-year Long-term Incentive Plans that are outstanding.

2012 2014 Long-term Incentive Plan

The 2012 2014 Long-term Incentive Plan added a new performance target: relative total shareholder return.

Reserve and resource growth. Reserve and resource growth remains a fundamental value creator. The Company needs to replace and add reserves and resources to extend mine lives and grow production. This is critical to the achievement of the Company s long-term success.

Cash flow. The design of the cash flow goal is identical to that contained in prior years since silver cost per ounce and production are key elements in creating shareholder value.

Production growth. One of the most important components of value is demonstrable production growth.

Total shareholder return. The total shareholder return (TSR) provides a performance relative metric to our peers. This objective differs from the other objectives which are focused on activities that in an absolute sense should be value drivers: resources, production, and cash flow. TSR measures the capital appreciation in our shares, including dividends paid during the performance period, and thereby simulates the actual investment performance of Hecla shares. Any payout is based on the extent to which Hecla s TSR outperforms the TSR of the common shares of a group of our peer companies.

2012-2014 Performance Unit Valuation

Reserve & Resource Growth		
Ounce Target (millions)	**Additional Reserve (millions)**	**Unit Value**
1,006	200	$ 100.00
931	125	$ 50.00
881	75	$ 40.00
856	50	$ 25.00
831	25	$ 15.00
816	10	$ 5.00

Cash Flow	
% of Target	**Unit Value**
115%	$ 50.00
110%	$ 42.50
105%	$ 32.50
100%	$ 25.00
95%	$ 22.50
90%	$ 20.00
85%	$ 17.50
80%	$ 15.00
75%	$ 12.50
70%	$ 10.00
65%	$ 7.50
60%	$ 0.00

Production Growth		
Target (in mm ozs.)	**Average Annual Target**	**Unit Value**
48.0	16.0	$ 100.00
42.0	14.0	$ 50.00
39.0	13.0	$ 33.33
36.0	12.0	$ 25.00
33.0	11.0	$ 20.00
31.5	10.5	$ 15.00

Total Shareholder Return	
%ile rank within Peer Group Companies	**Unit Value**
100%	$ 50.00

90%	$ 45.00
80%	$ 40.00
70%	$ 35.00
60%	$ 30.00
50%	$ 25.00
25%	$ 15.00
<25%	$ 0.00

2013 2015 Long-term Incentive Plan

The 2013 2015 Long-term Incentive Plan added a metric for the #4 Shaft completion, bringing the total performance targets to five.

2013-2015 Performance Unit Valuation

Reserve & Resource Growth

Ounce Target (millions)	Additional Reserve (millions)	Unit Value
250	100	$100.00
200	50	$50.00
180	30	$25.00
160	10	$5.00

Cash Flow

% of Target	Unit Value
115%	$ 50.00
110%	$ 42.50
105%	$ 32.50
100%	$ 25.00
95%	$ 22.50
90%	$ 20.00
85%	$ 17.50
80%	$ 15.00
75%	$ 12.50
70%	$ 10.00
65%	$ 7.50
60%	$ 0.00

#4 Shaft Completion

100% Completion Date	Unit Value
6/30/15	$50.00
12/31/15	$25.00
2/15/16	$10.00

Production Growth

Target (in mm ozs.)	Average Annual Target	Unit Value
65.1	21.7	$ 50.00
56.1	18.7	$ 40.00
54.1	18.0	$ 25.00
51.6	17.2	$ 10.00

Total Shareholder Return

%ile rank within Peer Group Companies	Unit Value
100%	$ 50.00
90%	$ 45.00
80%	$ 40.00
70%	$ 35.00
60%	$ 30.00
50%	$ 25.00
25%	$ 15.00
<25%	$ 0.00

2014 2016 Long-term Incentive Plan

The newest plan, 2014 2016, has three major changes:

- Targeted reserve increases are 1.8x last year s target and 1.6x last year s maximum payout;
- Because controlling costs is currently a major focus of investors in precious metals companies, the cash flow metric payout is only achieved if cash flow is 80% of target compared to 65% of target last year, and maximum payout is 50% higher if 115% of target is realized; and
- With relative TSR, the ultimate measure of value for shareholders, a minimum payout is only achieved if share performance is as good as or better than 50% of our peers. The target now requires 60% performance and having the best performance pays four times target.

The 2014 2016 Long-term Incentive Plan includes the same elements as the 2013 2015 Long-term Incentive Plan by maintaining the total performance targets at five.

2014-2016 Performance Unit Valuation

Silver Equivalent Reserve & Resource Growth

Ounce Target (millions)	Additional Reserve (millions) (replacement in situ)	Unit Value
400	103 (191)	$ 100.00
337	40 (128)	$ 50.00
327	30 (118)	$ 25.00
307	10 (98)	$ 5.00

Cash Flow

% of Target	Unit Value
115%	$ 75.00
110%	$ 50.00
105%	$ 35.00
100%	$ 25.00
95%	$ 22.50
90%	$ 20.00
85%	$ 17.50
80%	$ 15.00

#4 Shaft Completion

100% Completion Date	Unit Value
12/31/15	$ 50.00
5/1/16	$ 25.00
After 8/1/16	$ 0.00

Silver Equivalent Production Growth

Target (in mm ozs.)	Average Annual Target	Performance Unit Value
75.0	25.0	$ 50.00
72.0	24.0	$ 40.00
70.5	23.5	$ 25.00
68.0	22.6	$ 10.00

Total Shareholder Return

%ile rank within Peer Group Companies	Unit Value
100%	$ 100.00
90%	$ 75.00

80%	$	50.00
70%	$	35.00
60%	$	25.00
50%	$	15.00
< 50%	$	0.00

Compensation Philosophy and Objectives

We operate in a competitive and challenging industry. Over the past decade, a worldwide mining boom has significantly increased the demand for executives with mining-related skills and experience. In addition, the supply of mining executives is very limited, particularly in the United States. As a result, having a viable compensation strategy is critical to our success.

Our compensation philosophy is to pay our NEOs competitive levels of compensation that best reflect their individual responsibilities and contributions to the Company, while providing incentives to achieve our business and financial objectives. While comparisons to compensation levels at companies in our peer group (discussed on page 63) are helpful in assessing the overall competitiveness of our compensation program, we believe that our executive compensation program also must be internally consistent and equitable in order for the Company to achieve our corporate objectives.

The pay-for-performance philosophy of our executive compensation programs described in this Proxy Statement plays a significant role in our ability to produce strong operating, exploration, strategic, and financial results. It enables us to attract and retain a highly experienced and successful team to manage our business. Our pay programs strongly support our business objectives and are aligned with the value provided to our shareholders. Further, as an executive s level of responsibility within our organization increases, so does the percentage of total compensation that we link to performance through the Annual Incentive Plan and Long-term Incentive Plan programs, as well as share performance.

In setting policies and practices regarding compensation, the guiding philosophy of the committee is to:

- have compensation that is primarily at-risk and based on performance of shares, strategic objectives and tactical activities; and
- acquire, retain and motivate talented executives.

The committee believes that a mix of both cash and equity incentives is appropriate, as annual cash incentives reward executives for achieving both short- and long-term quantitative and qualitative goals, while equity incentives align executives to shareholder interests. In determining the amount of the cash and equity incentives, the committee considers each officer s total compensation on both a short- and long-term basis to assess the retention and incentive value of his or her overall compensation.

The committee conducts its annual review process near the end of each calendar year in order to align each executive s compensation awards with the Company s operational, financial and strategic results for the calendar year.

We also maintain the following pay practices that we believe enhance our pay-for-performance philosophy and further align our NEOs interests with those of shareholders:

We DO Have this Practice	
ü	Incentive award metrics that are objective and tied to Company performance.
ü	80% of CEO and 71% of NEO pay is at-risk.
ü	Over 63% of total compensation for the CEO is performance-based and 16% is granted in equity.
ü	46% of total compensation for NEOs other than the CEO is performance-based and 26% is granted in equity.
ü	100% of the CEO s annual incentive compensation is tied solely to Hecla s performance.
ü	50% of the NEOs long-term incentive compensation is performance-contingent and delivers value only if operational, strategic, financial, and other targets are met, which contributes to sustained long-term corporate financial health and company value. The value of the remaining 50% of the NEOs long-term incentive compensation is in the form of time-based restricted stock units and fluctuates with stock price.
ü	Share ownership guidelines for our NEOs and Directors.
ü	Compensation recoupment Clawback policy.
ü	Anti-hedging policy.
ü	Double-trigger change of control severance.
ü	Equity awards that vest over a three-year period to promote retention.
ü	We target executive base and annual incentive at peer group median, and deliver compensation above or below this level when warranted by performance.

We DO NOT Have this Practice

- Repricing of stock options.
- Hedging transactions or short sales by executive officers or directors.
- Payout of dividends or dividend equivalents on unearned or unvested equity.
- High percentage of fixed compensation.
- Perquisites.

Oversight and Determination of the Executive Compensation Program

Role of the Compensation Committee. The committee, consisting of George R. Nethercutt, Jr., Ted Crumley, Dr. Anthony P. Taylor and Terry V. Rogers, has primary responsibility for executive compensation decisions. Our CEO s compensation is approved by the independent members of the Board based on recommendations of the committee. The committee carries out its responsibilities under a charter approved by the Board. The committee receives information from Mercer (US) Inc. (Mercer), its independent executive compensation consultant, and uses this information in making decisions and conducting its annual review of the Company s executive compensation program.

The Chairman of the Board, with input of the committee chairman, also leads an annual analysis by the independent directors of our CEO s performance. The independent directors discuss the results of the evaluation during an executive session, without the CEO present, and the Board determines the CEO s annual compensation.

Role of Management. The committee considers input from the CEO in making determinations regarding our executive compensation program and the individual compensation of each executive officer (other than himself). As part of our annual review process, the CEO reviews the performance of each member of the executive team (other than himself), and their contribution to the overall performance of the Company. Approximately mid-year, the CEO presents recommendations to the committee regarding base salary adjustments, target annual incentive awards, stock-based grants, and long-term performance unit grants, based on a thorough analysis of relevant market compensation data comparing Hecla with an applicable peer group within the mining industry. The CEO and senior management also make recommendations to the committee regarding our annual and long-term quantitative goals and annual qualitative goals for the executive officers (other than the CEO), as well as recommendations regarding the participation in our stock-based compensation plans and amendments to the plans, as necessary.

The committee reviews these recommendations and exercises its discretion in modifying any of the recommendations before making its recommendations to the Board.

Role of Compensation Consultant. The committee independently seeks and receives advice from independent compensation and benefits consultants, which it believes is useful in conducting reviews of the Company s compensation programs. In addition to providing technical support and input on market practices, the committee s goal in utilizing compensation and benefits consultants is to provide external benchmark information for assessing compensation relative to the Company s compensation philosophy.

The committee sought advice and external benchmarking information from Mercer, a wholly owned subsidiary of Marsh & McLennan Companies, Inc., on a number of occasions in connection with conducting reviews of the Company s compensation program. The committee has assessed Mercer s independence in light of SEC rules and NYSE listing standards, and has determined that Mercer s work does not raise any conflicts of interest or independence concerns.

Mercer performs executive compensation services solely on behalf of the committee, is engaged by and reports directly to the committee, meets separately with the committee with no members of management present, and consults with the committee chairman between meetings. As described on page 63 under Peer Group Analysis, Mercer assists the committee in defining the appropriate market of the Company s peer companies for executive compensation and practices, and in benchmarking our executive and director pay against the peer group each year. Mercer also assists the committee in benchmarking our director compensation program and practices against those of our peers.

In June 2013, Mercer performed a competitive analysis and presented its findings and recommendations to the committee. The competitive analysis provided detailed comparative data for each executive officer position and assessed each component of pay, including base salary, short- and long-term incentives and total target compensation, as well as the mix of compensation between these pay elements. We compared this information to our executives compensation by similarity of position. The committee also reviewed the Company performance and carefully evaluated each executive s performance during the year against established goals, leadership qualities, operational performance, business responsibilities, career with the Company, current compensation arrangements and long-term potential.

The committee has established procedures that it considers adequate to ensure that Mercer s advice to the committee remains objective and is not influenced by Hecla s management. These procedures include: a direct reporting relationship between the Mercer consultant and the committee; a provision in the committee s engagement letter with Mercer specifying the information and recommendations that can and cannot be shared with management; an annual update to the committee on Mercer s financial relationship with Hecla, including a summary of the work performed for Hecla during the preceding 12 months; and written assurances from Mercer that within the Mercer organization, the Mercer consultant who performs services for Hecla has a reporting relationship determined separately from Mercer s other lines of business and from its other work for Hecla.

The total amount of fees for executive compensation consulting services Mercer provided to the committee in 2013 was $110,750.

During 2013, management hired Mercer or its affiliates to provide consulting services on our benefit plans, including critical support under the Affordable Care Act. The total amount of fees for these additional consulting services in 2013 was $153,900. The decision to engage Mercer or its affiliates for these additional consulting services was made by management, and neither the committee nor the Board approved these other services.

Peer Group Analysis. To attract and retain key executives, our goal is to provide competitive compensation. We generally benchmark pay to the median of our peer companies, but also allow total compensation to exceed the median when our Company performance and individual experience, responsibilities and performance warrant.

Central to the pay-setting process is selection of a relevant peer group. Because we operate in a global business that is dominated by Canadian companies, our peer group reflects this with only three U.S. companies in the peers. The committee reviews and determines the composition of our peer group on an annual basis, from recommendations from its independent compensation consultant. In 2013, the committee, assisted by Mercer, identified four potential new peers for consideration, three of which are focused on silver (Osisko Mining, First Majestic Silver, Silver Standard and Endeavour Silver). For 2013, Hecla s peer group was made up of the following 15 companies, whose aggregate profile was comparable to Hecla in terms of size, industry and competition for executive talent.

IAMGOLD Corporation	AuRico Gold
First Majestic Silver Corp.	Silver Standard Resources
Osisko Mining Corporation	Endeavour Silver Corp.
Centerra Gold Inc.	Pan American Silver Corporation
New Gold Inc.	Coeur Mining Inc.
Stillwater Mining Company	Allied Nevada Gold Corp.
Alamos Gold Inc.	Eldorado Gold
Golden Star Resources Ltd.	

The peer group is composed of all publicly held companies engaged in the mining of precious metals with revenue and market capitalization within a reasonable range of our revenue and market capitalization. The 2013 peer group consisted of companies with annual revenues ranging from approximately $160 million to $1.7 billion (as of December 31, 2012) and market capitalization ranging from approximately $280 million to $5.7 billion (as measured at April 30, 2013). Compared to this peer group, Hecla s annual revenue is closer to the median of the peer group and Hecla is at the 25^{th} percentile of the peer group for market cap, with all but four peer companies within two times of Hecla s market cap.

Base salaries are targeted between the 25^{th} percentile and median (50^{th} percentile), with incentive opportunities that can provide above-median total compensation based on performance. In 2013, target total direct compensation (base salary, short- and long-term incentives) for our NEOs approximated the median of the peer group. Compensation for individuals within this group may be positioned higher or lower than market median where we believe appropriate, considering each executive s roles and responsibilities and experience in their position within Hecla. Adjustments are made only when we believe there is a market or individual performance issue that should be addressed.

Mercer provided the committee with a report summarizing executive compensation levels at the 25th, 50th and 75th percentiles of the peer group and the survey composite data for positions comparable to those held by each of our NEOs. The committee also received an analysis from Mercer comparing the target total cash compensation (base salary plus target annual incentive) and target total direct compensation (base salary plus target annual incentive plus value of long-term incentives) for each of the NEOs against these benchmarks. For retention and competitive considerations, the Company targets each NEO s total cash compensation and total target compensation levels at the median of the peer group data or survey composite data applicable to his or her position, and delivers compensation above or below this level when warranted by performance. The committee s final determinations with respect to base salary, target annual incentive compensation and target long-term incentive compensation reflect consideration of the Company s and the NEO s performance, internal comparisons and other factors.

We believe these companies are appropriate because they are in the same industry, compete for executive talent, have executives in positions similar to ours, and are considered by the committee to be in an acceptable revenue range compared to Hecla.

The committee suggests that the following considerations be kept in mind regarding comparisons of NEO compensation and Company performance against external benchmarks:

- *Standard industry classifications and groupings of U.S. companies are not appropriate to determine Hecla s peers.* There are limited U.S. mining companies that are involved in the precious metals business. Most precious metals companies are Canadian incorporated with some employees who are U.S. citizens. This means that most of Hecla s true peers are excluded from the U.S. industry classification. In addition, the limited number of U.S. precious metals companies of comparable size to Hecla means that companies from the broader material industry are substituted by some proxy advisors for comparison purposes. Precious metals is often negatively correlated to the broader industry, so benchmarking Hecla s TSR against chemical, construction materials, base metals and forest products is simply not relevant in determining relative performance.

- *Comparing Hecla s TSR to other companies over discrete time periods is problematic*. TSR is the primary measure used by proxy advisors in comparing performance across companies. However, fairly measuring TSR for one company is extremely challenging during times of high stock price volatility, such as that faced by Hecla and others in the precious metals industry over the past year, since the selection of starting and ending stock prices that are within several days or weeks of one another can produce very different TSR results. Moreover, fair comparisons with other companies, some of which are not in the same industry as Hecla and therefore not subject to precious metals price volatility and other prevailing industry economic factors, are even more problematic.

Compensation Risk Assessment

The committee does not believe our compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company. In 2013, with the assistance of Mercer, the committee assessed the Company s compensation arrangements to determine if the programs provisions and operations create undesired or unintentional risks of a material nature. The committee s determination is based on its assessment of the balance of potential risk to potential reward. Although the committee reviewed all compensation programs, it focused on the programs with variability of payout, and the ability of a participant to directly affect payout, as well as the controls on participant action and payout. Base salary and performance-based compensation are generally uniform in design throughout the Company and with all levels of salaried employees. The Company s compensation policies and practices are generally designed and administered for base salary and annual incentive compensation, and are based on similar performance criteria for each salaried employee. Long-term incentive and equity compensation are applicable to specific employees in executive and managerial positions as approved by the Board, with the same performance criteria applied for all eligible participants.

Our compensation policies and practices include risk mitigation features such as:

- Balance among short- and long-term incentives, cash and equity, and fixed and variable pay;
- Multiple performance measures;
- Pay caps;
- Clawbacks;
- Stock ownership and holding guidelines;
- Anti-hedging policies; and
- Limited change of control benefits.

Based on the foregoing, we believe that our compensation policies and practices do not create inappropriate or unintended significant risk to the Company as a whole. We also believe that our incentive compensation arrangements provide incentives that: do not encourage risk-taking beyond the Company s ability to effectively identify and manage significant risks; are compatible with effective internal controls and risk management practices of the Company; and are supported by the oversight and administration of the committee with regard to executive compensation programs.

Elements of Total Compensation

We have a multifaceted compensation program. For the year ended December 31, 2013, our executive compensation program consisted of the following elements:

Compensation Element	Objective	Key Features	Terms
Base salary	Provide a fixed level of cash compensation for performing day-to-day responsibilities generally at less than median of peers.	Set in the middle of each year for the 12-month period from July 1 to June 30.	Paid semi-monthly.
Incentive pay ● Annual Incentive Plan	Focus executives on short-term annual requirements of achieving Company plans, and the performance of steps necessary to achieve longer-term objectives.	Based on corporate achievement of goals and individual performance. Some goals are now quantitative, such as EBITDA and production, and others are qualitative. For the 2013 Annual Incentive Plan, there is no formula or weighting of the goals relative to importance, but each goal is considered and valued at the discretion of the committee. Starting with the 2014 Annual Incentive Plan, the weighting will be 50% quantitative corporate performance factors, 25% qualitative goals, and a 25% discretionary factor as determined by the committee.	Determined by the committee and paid in a single payment following the performance year. Awarded in the first quarter of each year. Designed to be awarded in cash, but may be paid in equity.
● Long-term Incentive Plan	Focus executives on longer-term value creation as determined by the specific targets of the plan.	Based on corporate goals achieved over a three-year performance period. A new three-year performance period begins each calendar year and performance units are granted in the first half of each year. Each three-year plan identifies key long-term objectives that are expected to create long-term value for shareholders such as operating performance, increasing production and resources, increasing shareholder return, and development of significant capital programs.	Determined by the committee and paid in a single payment following the three-year performance period. Awarded in the first quarter of each year. Designed to be awarded in cash, but may be paid in equity.

Equity ● Stock options ● Restricted stock units ● Performance-based shares	Align management s interests with those of shareholders. Provide incentive for CEO to remain long-term and to align CEO s interests with those of shareholders.	Stock option awards vest immediately with a five-year expiration period. Restricted stock unit awards are denominated in shares and delivered in stock with a vesting schedule of one year or more. Performance-based shares realize value only if the Company s stock price ranks high within its selected peer group.	Stock options and restricted stock units are granted in the second quarter of each year. No stock option awards have been made due to the cost of the options relative to the share price. Performance-based shares are granted to the CEO in the second quarter of each year and are based on a three-year TSR.
Key Employee Deferred Compensation Plan	Increase exposure to the Company, while also providing a tax deferral opportunity and encouraging financial planning.	Allows for the voluntary deferral of base salary, annual incentive pay, long-term incentive pay and restricted stock unit payouts.	Employee must make election in the previous year to defer in the coming year.
Benefits	Attract and retain highly qualified executives.	Participation in retirement plans, company-paid health, dental and vision insurance, life insurance, and accidental death and dismemberment insurance.	Same terms for all U.S. permanent full-time salaried employees.

Total Compensation Mix

Our executive compensation program composed of base salary, short- and long-term incentives, and equity awards is intended to align the interests of our NEOs with the long-term interests of our shareholders. The program accomplishes this by rewarding performance that is designed, over time, to result in an increase in the value of our shareholders investment in Hecla. We believe that the proportion of at-risk, performance-based compensation should comprise a significant portion of executive pay.

The mix of compensation for our CEO and other NEOs, which is similar to our peer group, is shown below.

CEO Mix of Target Pay **Other NEO Mix of Target Pay**

2013 Target Compensation Structure. The following table lists total 2013 target compensation for the NEOs.

NEO	Base Salary ($)	Annual Incentive Target Award ($)	Long-term Incentive Plan Target Award ($)	Equity ($)	Total ($)
Baker	605,000	605,000	825,000	1,000,000[1]	3,035,000
Sabala	355,000	266,250	340,000	345,000	1,306,250
Radford	355,000	266,250	300,000	300,000	1,221,250
McDonald	275,000	206,250	260,000	300,000	1,041,250
Sienko	250,000	150,000	190,000	154,000	744,000
Poirier	226,000	135,600	205,000	200,000	766,600

1. Consists of $500,000 in restricted stock units and $500,000 in performance-based shares.

Individual base salaries and annual incentive targets for the NEOs are based on the scope of each NEO s responsibilities, individual performance and market data. At the beginning of each year, we also define the key strategic objectives each NEO is expected to achieve during that year, which are evaluated and approved by the committee.

Overview of our Compensation Decisions and Results for 2013

Base Salary

Design. Pursuant to our market positioning policy, the committee manages base salaries between the 25th percentile and median of the competitive market for the NEOs as a group. An individual NEO s base salary may be set above or below this market range for that particular position, depending on the committee s subjective assessment of the individual NEO s experience, recent performance and expected future contribution, retention concerns, and the recommendation of the Company s CEO (other than for himself). The committee does not use any type of quantitative formula to determine the base salary level of any of the NEOs. The committee reviews NEO salaries at least annually as part of its overall competitive market assessment, as described above. Typically, the committee makes annual salary adjustments in the middle of each year for the 12-month period from July 1 to June 30.

Analysis and Decision. In June 2013, the committee reviewed a market analysis prepared by Mercer. The market analysis indicated that the base salaries of our NEOs were below the 25th percentile of the peer group overall, and between the 25th percentile and median of the survey data. Based on these findings, the committee increased base salary levels to be more consistent with the intended market positioning. The current base salary for each NEO from July 1, 2013, through June 30, 2014, was increased as follows:

Base Salary for NEOs

NEO	7/1/12 to 6/30/13 Salary ($)	7/1/13 to 6/30/14 Salary ($)	Percentage Increase (%)
Phillips S. Baker, Jr.	550,000	605,000	10.0
James A. Sabala	330,000	355,000	7.6
Lawrence P. Radford	330,000	355,000	7.6
Dr. Dean W.A. McDonald	260,000	275,000	5.8
David C. Sienko	235,000	250,000	6.4
Don Poirier	220,000	226,000	2.7

Incentive Plans

Company Performance and Relationship to NEO Compensation for 2013. Our incentive compensation plans the Annual Incentive Plan and the Long-term Incentive Plan provide measures of the most important factors we believe contribute to Hecla s sustained long-term success that can lead to improved stock price performance. For 2013, the Annual Incentive Plan was divided into qualitative and quantitative components. There was no weighting of the components. The committee evaluated the performance versus the components.

Annual Incentive Plan (AIP). A short-term incentive opportunity is provided through our AIP which is the annual incentive component of our executive compensation program. Consistent with Hecla s pay-for-performance philosophy, substantially all salaried employees, including our NEOs, are eligible to participate in the AIP. In December of the prior year, or February of the current year, the committee recommends to the Board a company-wide, short-term incentive pool that is available for payment to salaried employees, including the NEOs, the payment of which is based on Company performance during the upcoming year.

The market analysis prepared by Mercer in June 2013 indicated that annual incentives were generally at the median of peers and at the 75th percentile of the survey data.

Target Opportunities. Each NEO has a target award opportunity expressed as a percentage of base salary, along with minimum and maximum award levels. The target award opportunities are determined based on market assessments and the committee s market positioning policy, the individual NEO s organization level, scope of responsibility and ability to impact Hecla s overall performance, and internal equity among the NEOs. Actual awards are paid after the end of each annual performance period and can range from 0% to 200% of the target awards, based on the committee s assessment of our actual performance and the individual NEO s goals. Having an award maximum cap reduces the likelihood of windfalls to executives and encourages financial discipline. It is also competitive with typical peer group practice.

For 2013, target AIP award opportunities for the NEOs were as follows:

NEO	Target Annual Incentive (% of base salary)
Phillips S. Baker, Jr.	100%
James A. Sabala	75%
Lawrence P. Radford	75%
Dr. Dean W.A. McDonald	75%
David C. Sienko	60%
Don Poirier	60%

Performance Measures. Our management develops proposed targets for each Company performance measure based on a variety of factors, including historical corporate performance, internal budgets, forecasts and growth targets, market expectations and strategic objectives. The committee reviews the targets and adjusts them, as it deems appropriate, before recommending approval to the Board. The committee believes that linking annual incentive awards to pre-established goals creates a performance-based compensation strategy consistent with shareholder interests. The committee also believes that incentive compensation targets should be established to drive real and sustainable improvements in operating performance and the strategic position of the Company.

Amongst qualitative AIP components, in 2013 we achieved several important strategic and operational milestones that we believe position us well for the future, including:

- Acquired Aurizon Mines Ltd. and its Casa Berardi gold mine;
- Returned Lucky Friday to historical full production rate;
- In connection with the Aurizon acquisition, we issued $500 million of 6.875% senior notes due in 2021; and
- Improved safety and health performance at Greens Creek and Lucky Friday, where the combined incident rate was 45% lower compared to 2012.

For 2013, Company performance for quantitative AIP purposes is as follows:

2013 AIP Quantitative Measures	Target	Actual
Production		
● Gold ounces	175.0 (thousands)	163.4
● Silver ounces	9.5 (millions)	8.9
● Lead (Short Tons)	38.2 (thousands)	30.4
● Zinc (Short Tons)	71.3 (thousands)	61.4
Total Cash Cost Per Ounce Silver	$5.26	$6.84
Total Cash Cost Per Ounce Gold	$800.00	$948.06
Cost Per Ton		
● Lucky Friday	$130.00	$201.78
● Greens Creek	$140.00	$153.82
● Casa Berardi	$150.00	$153.37
Other Costs		
● General & Administrative (millions)	$30.0	$28.9
● Environmental (millions)	$6.2	$5.4
Capital Expenditure (excludes Aurizon)	$130.0	$113.0

In addition to Company measures, specific individual objectives are developed for each NEO (quantitative and qualitative objectives related to safety, health and environment, operations, financial, growth, production development, exploration, legal, investor relations, human capital development, and government and community relations). The specific objectives for each NEO are chosen to reflect each NEO s individual responsibilities. While most of the objectives are subjective in nature, to the extent possible, objective and quantifiable targets are set in order to improve accountability for results.

2013 AIP Analysis and Decision. On a quarterly basis, the committee reviewed the performance versus the AIP goals. For 2013, based on the assessment by the committee on the Company s overall performance on both qualitative and quantitative measures under the AIP, the committee determined Company performance to be at 120% of target (out of a possible range of 0-200%). Although production and costs per ounce were below and above targets, other costs were favorable to target and, overall, the 120% performance was set because the committee regarded 2013 as a transformational year for Hecla for the reasons set out below:

- Increased silver reserves 13% despite assuming 25% lower silver prices;
- Greens Creek achieved the most throughput in the mine s 27-year history and the best safety record since Hecla began operating the mine;
- Lucky Friday s primary shaft and access ways were refurbished and the mine restarted;
- Acquisition of Aurizon Mines Ltd. added the Casa Berardi mine in Quebec, increasing gold reserves by 190% and about doubling gold production;
- Accessed the bond market for the first time in the Company s history; and
- Did not have to write off reserves or impair assets.

Set forth in the table below is each NEO s target award and actual award, which was paid 50% in cash and 50% in equity up to target level payout, with any award above target also paid in equity. The equity portion of the award will not vest and be distributed until August 26, 2014.

Name	Base Salary (12/31/13) X ($)	Base Salary Factor (%)	Target Annual Incentive ($)	% to Target (%)	Actual Award[1] ($)	Cash Received ($)	Equity Received[2] (#)
Phillips S. Baker, Jr.	605,000	100	605,000	90	544,500	272,250	79,605
James A. Sabala	355,000	75	266,250	180	479,250	133,125	101,206
Lawrence P. Radford	355,000	75	266,250	150	399,375	133,125	77,851
Dr. Dean W.A. McDonald	275,000	75	206,250	120	247,500	103,125	42,215
David C. Sienko	250,000	60	150,000	120	180,000	75,000	30,701
Don Poirier	226,000	60	135,600	120	162,720	67,800	27,754

1. The amount reported in this column was paid in cash and equity to the NEO and is also reported in the Summary Compensation Table on page 83 under Non- Equity Incentive Plan Compensation.

2. The equity portion of the 2013 AIP award was determined by subtracting the cash portion from the total award to determine the equity value, then dividing that by the closing stock price of the Company s common stock on the NYSE on March 3, 2014 ($3.42).

Some NEOs received different awards compared to the assessed Company performance. For Mr. Baker, our CEO, while the Company overall was transformed in 2013, the share price was about in the middle of the performance of peers and down about 50% for the year, largely as a result of lower metals prices. The Board exercised its discretion to reduce Mr. Baker s award to reflect the share price performance. Mr. Sabala, our Senior Vice President and CFO, provided the leadership in completing the Aurizon Mines Ltd. acquisition and the bond financing, as well as other key accomplishments. Mr. Radford, our Senior Vice President Operations, led the operating teams for the Greens Creek, Lucky Friday and Casa Berardi mines. Greens Creek exceeded expectations on most criteria, while the Lucky Friday overcame significant issues in startup. Mr. Radford was also instrumental in the integration of Casa Berardi into Hecla.

2011 2013 Long-term Incentive Plan (LTIP). We use a long-term incentive plan that focuses executives on meeting long-term (three-year) corporate performance goals. The LTIP is also used to attract and retain executives in a highly competitive talent market. The committee takes into account mining and general industry market practices, as well as the objectives of the LTIP when determining the terms and conditions of long-term incentive goals, such as resource additions and cash flow generation.

Under the LTIP, a new performance period begins each calendar year and runs for three years. The three-year performance period recognizes that some value-creating activities require a significant period of time to be implemented and for measurable results to accrue. Starting a new plan period each year also provides the committee with the flexibility to adjust for new business conditions, circumstances or priorities in setting the performance metrics and goals for each three-year cycle. Performance units are assigned to each NEO at the beginning of each three-year period, and provide the basis for the amount of awards made to each NEO under the LTIP. Performance units are designed to encourage management to deliver long-term value. Performance units reinforce Hecla s business strategy by clearly establishing our key performance elements (e.g., reserve and resource growth, production growth, cash flow, and #4 Shaft completion) and the associated long-term performance objectives that must be met for us to be successful and ultimately create value for shareholders.

Performance units are initially assigned a target value of $100 each. The ultimate dollar value of each unit can range from $0 to $250 depending on our performance compared to the goals approved by the committee. Performance units are paid out as soon as practicable after the end of each performance period, upon approval by the committee. At the discretion of the committee, the payouts may be in the form of cash, common stock, restricted stock units, or a combination of these forms.

The following table summarizes the performance unit valuation ranges for reserve and resource growth, production growth, cash flow, and #4 Shaft completion for the 2011-2013 plan period:

2011-2013 Performance Unit Valuation

Reserve & Resource Growth		
Target Ounces (millions)	**Total Additional Reserve & Resource (mm ozs.)**	**Performance Unit Value**
550	160	$100.00
490	100	$50.00
460	70	$40.00
430	40	$25.00
410	20	$15.00
390	0	$5.00
Production Growth		
Target (in mm ozs.)	**Average Annual Target**	**Performance Unit Value**
39.0	13.0	$50.00
36.0	12.0	$41.66
34.5	11.5	$33.33
33.0	11.0	$25.00
31.5	10.5	$20.00
30.0	10.0	$15.00

Cash Flow	
% of Target	**Unit Value**
115%	$50.00
110%	$42.50
105%	$32.50
100%	$25.00
95%	$22.50
90%	$20.00
85%	$17.50
80%	$15.00
75%	$12.50
70%	$10.00
65%	$7.50
60%	$0.00

#4 Shaft Completion	
% Complete @ 12/31/13	**Unit Value**
100%	$50.00
93%	$45.00

92%	$35.00
89%	$30.00
87%	$25.00
86%	$20.00
85%	$15.00
84%	$10.00
83%	$5.00

Reserve and resource growth. Increasing our resources remains a fundamental challenge because, in addition to replacing reserves, we must add other resources that can be converted to reserves to sustain higher production levels. In other words, the Company will not only have to replace its current production, but will have to discover or acquire additional ounces to achieve this target.

Production growth. A production growth target was added to the LTIP beginning with the 2010-2012 LTIP, and was continued in the 2011-2013 LTIP. Production growth has a minimum payout equal to our long-range plan which averages 10 million ounces of silver production annually. For the plan to achieve the maximum, production would have to increase by 9 million ounces.

Cash flow. Targets are driven directly from the Company s long-range financial plan. The range of payout is capped at 115% of target and does not pay out below 65% of target.

#4 Shaft completion. In 2011, we added another new component to the LTIP. We determined that in order to achieve production growth at the Lucky Friday mine, it was essential that the #4 Shaft be completed on schedule. To achieve 100% completion by the end of this three-year plan, the project would be approximately eleven months ahead of schedule, and would pay out at the maximum rate of $50 per unit. If the project was below 83% of target, no payout would occur under the plan.

2011-2013 LTIP Analysis and Decision. The specific 2011-2013 LTIP goals were approved by the committee in February 2011. The goals were:

Performance Measure	Target	Actual Performance	% of Target	Units Earned
Reserve and Resource Growth	40 Silver oz. added (millions)	546 (millions)	1,366%	$100.00
Cash Flow	$422 Cash Flow (millions)	$342 (millions)	81%	$15.50
Production Growth	33 Silver oz. (millions)	24.8 (millions)	75%	▪
#4 Shaft Completion	87% complete	61.5% complete	71%	

During this three-year period, the reserve and resource growth was achieved by adding 546.41 million equivalent silver ounces, which is 1,366% of target and paid out at $100.00 per unit, since this factor s maximum is two times that of other factors, while cash flow was achieved at 81% of target and paid out at $15.50 per unit (See 2011-2013 Performance Unit Valuation chart on page 73). Because of the shutdown of the Lucky Friday mine, the production goal culminated at 75% of target (below threshold payout) and the #4 Shaft progress goal was at 71% of target (below threshold payout). The total 2011-2013 LTIP payout was $115.50 per unit.

In February 2014, the Compensation Committee and the Board of Directors approved payout of the LTIP awards to be 50% in cash and 50% in equity up to target level payout, with the portion above target also paid in equity. The equity portion of the award will not vest and be distributed until August 26, 2014.

The following chart shows the number of performance units awarded in 2011 to each NEO, the unit value achieved, the total amount the award (number of units x $115.50 = cash received), and the amount of cash and number of shares received.

Name	2011-2013 Performance Units (#)	Unit Value ($)	Total Amount of Award[1] ($)	Cash Received ($)	Equity Received[3] (#)
Phillips S. Baker, Jr.	8,250	115.50	952,875	412,500	158,005
James A. Sabala	3,000	115.50	346,500	150,000	57,456
Lawrence P. Radford	1,650[2]	115.50	190,575	82,500	31,601
Dr. Dean W.A. McDonald	1,800	115.50	207,900	90,000	34,474
David C. Sienko	1,800	115.50	207,900	90,000	34,474
Don Poirier	1,800	115.50	207,900	90,000	34,474

1. The amount reported in this column was paid in cash and equity to the NEO and is also reported in the Summary Compensation Table on page 83 under Non- Equity Incentive Plan Compensation.

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2. Mr. Radford joined the Company on October 19, 2011. These performance units are prorated.

3. The equity portion of the 2011-2013 LTIP award was determined by subtracting the cash portion from the total award to determine the equity value, then dividing that by the closing stock price of the Company s common stock on the NYSE on March 3, 2014 ($3.42).

Restricted Stock Units. Restricted stock units (RSUs) are granted to the NEOs under the Key Employee Deferred Compensation Plan and/or the 2010 Stock Incentive Plan. RSUs are used to retain our NEOs and align their interests with the long-term interests of our shareholders. The committee awarded each NEO RSUs in June 2013. The RSUs vest in three equal amounts with vesting dates of June 25, 2014, June 25, 2015, and June 25, 2016. See Grants of Plan-Based Awards for 2013 on page 85.

The Company authorized a common stock dividend program in 2011. In connection with this program, all outstanding and unvested RSU awards granted to employees are credited with dividend equivalents on unvested RSUs in order to maintain the economic alignment between the value of an RSU and the value of a share of Company common stock. Upon payment of a dividend by the Company to its shareholders, an employee with an outstanding RSU award is credited with a dollar amount equal to the dividend that would have been paid if the shares subject to that award were vested shares of common stock rather than unvested RSUs. These dividend equivalents are paid to an employee only if and when the underlying RSUs vest. See footnote 1 to the Option Exercises and Stock Vested for 2013 on page 88.

In 2013, we granted RSUs to approximately 104 employees, including all NEOs, under the 2010 Stock Incentive Plan and the Key Employee Deferred Compensation Plan.

Performance-based Shares. A new feature of the equity award granted to Mr. Baker by the independent Board members in June 2013 was the introduction of performance-based shares comprising one-half of his total equity award, at which time, the committee granted 170,648 performance-based shares to Mr. Baker. The award of these performance-based shares will be on the basis of TSR of Hecla common stock for the three-year period from January 1, 2013 through December 31, 2015, based on the following percentile rank within peer group companies:

Company TSR Rank Among Peers	TSR Performance Multiplier
25^{th} percentile	Threshold award at 50% of target
50^{th} percentile	**Target award at grant value**
100^{th} percentile	Maximum award at 200% of target

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The industry peer group used for purposes of the TSR performance-based award consists of the following companies:

Alamos Gold Inc.	Allied Nevada Gold Corp.	AuRico Gold
Centerra Gold Inc.	Coeur Mining Inc.	Eldorado Gold
Endeavor Silver Corp.	First Majestic Silver Corp.	Golden Star Resources Ltd.
IAMGOLD Corporation	New Gold Inc.	Osisko Mining Corporation
Silver Standard Resources	Pan American Silver Corporation	Stillwater Mining Company

or any successors thereto, in each case, to the extent each is a publicly traded corporation throughout the entire TSR performance period.

TOTAL SHAREHOLDER RETURN (TSR) - 1/1/13 through 12/31/15

Peer Company	**Stock Price - Beg. of Period - 1/3/13**	**Stock Price - End of 1st Year - 12/31/13**	**Dividend Paid (per share) - thru 12/31/13**	**TSR thru 12/31/13**	**12/31/13 Ranking**	**%ile Rank**
Stillwater Mining	$13.24	$12.34	$0.000	-6.8%	1	100.0%
Alamos Gold	$17.84	$12.87	$0.300	-26.2%	2	93.3%
Pan American Silver	$19.21	$11.70	$0.500	-36.5%	3	86.7%
Osisko Mining	$8.32	$4.71	$0.000	-43.4%	4	80.0%
Hecla	**$6.11**	**$3.08**	**$0.018**	**-49.3%**	**5**	**73.3%**
New Gold	$11.14	$5.56	$0.000	-50.1%	6	66.7%
First Majestic Silver	$20.91	$10.43	$0.000	-50.1%	7	60.0%
Eldorado Gold	$13.10	$6.03	$0.120	-53.1%	8	53.3%
Endeavour Silver	$8.23	$3.84	$0.000	-53.3%	9	46.7%
Centerra Gold	$9.69	$4.32	$0.160	-53.8%	10	40.0%
Silver Standard	$15.39	$6.96	$0.000	-54.8%	11	33.3%
AuRico Gold	$8.35	$3.66	$0.040	-55.7%	12	26.7%
Coeur Mining	$25.20	$10.85	$0.000	-56.9%	13	20.0%
IAMGOLD	$11.63	$3.53	$0.250	-67.5%	14	13.3%
Golden Star	$1.90	$0.44	$0.000	-76.8%	15	6.7%
Allied Nevada Gold	$30.30	$3.77	$0.000	-87.6%	16	0.0%

Stock Options. The ability to grant stock options under the 1995 Stock Incentive Plan expired in May 2010. All outstanding stock options granted under this plan are still exercisable until their expiration date (May 5, 2015). In June 2010, our shareholders approved the 2010 Stock Incentive Plan. Stock options granted under this plan will be issued with an exercise price based on the fair market value (the closing sales price of our common stock on the NYSE on the date of grant).

For several years prior to the last three years, we granted stock options to key employees during the second quarter of the calendar year. In addition to these annual grants, we occasionally granted options to new employees upon hire. For the past three years, we did not make any annual stock option awards to our NEOs due to the cost of the options compared to the expected compensation to be realized by the executive.

Other

Guidelines and Timing of Equity Awards. We have no program, plan or practice to time the grant of stock-based awards relative to the release of material non-public information or other corporate events. All equity grants to executive officers are approved by the committee or the independent directors at regularly scheduled meetings or, in limited cases involving key recruits or promotions, by a special meeting or unanimous written consent. The grant date is the meeting date or a fixed, future date specified at the time of the grant. Under the terms of our 2010 Stock Incentive Plan, the fair market value is the closing stock price of our common stock on the NYSE on the date of grant. In addition, the committee typically recommends to the Board awards of stock options and/or RSUs to NEOs in the first half of the year.

Stock Ownership Policy. We believe that it is important to encourage our executive officers to hold a material amount of our common stock and to link their long-term economic interest directly to that of our shareholders. To achieve this goal, in June 2012, the committee developed stock ownership guidelines for the NEOs. The stock ownership guidelines established for the NEOs (except the President and CEO) is two times annual base salary, which should be achieved within five years of the adoption of the guidelines. The stock ownership guidelines established for the President and CEO is six times annual base salary, to be achieved within five years of adoption of the guidelines.

The following table summarizes the NEOs stock ownership guidelines, number of shares, and number of shares owned. As of December 31, 2013, Messrs. Baker, Sabala, McDonald and Poirier, met the guidelines based on the closing market price of our common stock on the NYSE as of December 31, 2013 ($3.08). It is anticipated that with the vesting of RSUs on March 14, 2014, Messrs. Radford and Sienko will meet the stock ownership guidelines. In our calculations, we include shares directly held and unvested RSUs. We do not include unexercised stock options or performance-based shares.

Executive Stock Ownership as of December 31, 2013

NEO	Annual Base Salary ($)	X Annual Base Salary	Total Value of Shares to be Held ($)	Shares Held Directly (#)	Unvested RSUs (#)	Deferred Shares[1] (#)	Total Shares (#)	Total Value of Shares Held by NEO at 12/31/13 ($3.08) ($)
Baker	605,000	6x	3,630,000	961,432	297,358	90,789	1,349,579	4,156,703
Sabala	355,000	2x	710,000	100,394	185,306	0	285,700	879,956
Radford	355,000	2x	710,000	32,315	186,286	0	218,601	673,291
McDonald	275,000	2x	550,000	115,091	163,150	0	278,241	856,982
Sienko	250,000	2x	500,000	41,160	84,701	0	125,861	387,651
Poirier	226,000	2x	452,000	104,769	107,649	0	212,418	654,247

1. Restricted stock units that have vested, but are deferred into the Key Employee Deferred Compensation Plan until a distributable event, which was elected by our CEO.

Nonqualified Deferred Compensation Plan. We maintain the Key Employee Deferred Compensation Plan (the KEDCP), a nonqualified deferred compensation plan under which participants may defer up to 100% of their annual base salary and up to 100% of their short- and long-term performance-based or incentive compensation. Participants may elect to have these amounts valued based upon Hecla common stock and credited to a stock account. Alternatively, participants may elect to have these amounts valued in dollars and credited to an investment account. The KEDCP provides for matching and discretionary contributions by us when deferral amounts are valued based upon our common stock. Participants may also elect to defer any RSUs that have vested. This feature promotes alignment of the interests of participants with those of our shareholders. Investment accounts of deferral amounts valued in dollars are credited monthly with an amount based on the annual prime rate for corporate borrowers. In general, participants may receive distributions from their deferred compensation balances only upon separation from service with us or according to a fixed date or schedule selected by the participants. The amounts deferred are unfunded and unsecured obligations of Hecla, receive no preferential standing, and are subject to the same risks as any of our other general obligations. Additional details about the KEDCP are described in the narrative accompanying the Nonqualified Deferred Compensation for 2013 table on page 89.

Benefits. We provide our employees with a benefits package that is designed to attract and retain the talent needed to manage Hecla. Therefore, all U.S. salaried employees, including the NEOs, are eligible to participate in the Hecla Mining Company Qualified Retirement Plan (the Retirement Plan), the Capital Accumulation Plan (a 401(k) plan, which includes matching contributions by Hecla up to 6%), health, vision and dental coverage, various company-paid insurance plans, and paid time off, including vacations and holidays. All Canadian salaried employees including NEOs are eligible to participate in a similar benefits package. NEOs are eligible to receive certain additional benefits, as described below. The committee intends for the type and value of such benefits offered to be competitive with general market practices.

Nonqualified Defined Benefit Plan. Under the Retirement Plan, upon normal retirement each participant is eligible to receive a monthly benefit equal to a certain percentage of final average annual earnings for each year of credited service. Additional details about the Retirement Plan are described in the narrative accompanying the Pension Benefits table that is included in this Proxy Statement on page 99. Under Hecla s unfunded Supplemental Excess Retirement Plan, the amount of any benefits not payable under the Retirement Plan by reason of the limitations imposed by the Internal Revenue Code and/or the Employee Retirement Income Security Act, and the reduction of benefits, if any, due to a deferral of salary made under our KEDCP, will be paid out of our general funds to any employee who may be adversely affected. The Retirement Plan and Supplemental Excess Retirement Plan define earnings for purposes of the plans to include salary plus any other cash incentives.

Personal Benefits. We do not provide company-paid cars, country club memberships, or other similar perquisites to our executives. The only material personal benefit provided by Hecla is a relocation benefit, which is offered as needed to meet specific recruitment needs.

Clawback Policy

At its February 2013 meeting, the Compensation Committee adopted a clawback policy with respect to incentive awards to executive officers. The policy provides that in the event of a restatement of the Company s financial results as a result of material non-compliance with financial reporting requirements, the members of the Board will review incentive compensation that was paid to the Company s current or former executive officers under the Company s Annual Incentive Plan and Long-term Incentive Plan (or any successor plans) based solely on the achievement of specific corporate financial goals (Incentive Award) during the period of the restatement. If any Incentive Award would have been lower had it been calculated based on the Company s restated financial results, the Board will, as it deems appropriate, recover from any executive whose conduct is determined by the Board to be the cause or partial cause for the restatement, any portion of an Incentive Award paid in excess of what would have been paid based on the restated financial results. The policy does not apply in any situation where a restatement is not the result of material non-compliance with financial reporting requirements, such as any restatement due to a change in applicable accounting rules, standards or interpretations, a change in segment designations or the discontinuance of an operation.

Insider Trading Policy

Our insider trading policy prohibits all directors, executive officers (as defined under Section 16 of the Exchange Act) and certain other employees designated as insiders from purchasing or selling any Company securities three weeks before through two days after the release of any Form 10-Q or Form 10-K, or at any other time during the year, while in possession of material non-public information about the Company. In addition, directors and officers are prohibited from short-term trading, short sales, options trading, trading on margin, hedging or pledging any securities of the Company.

Change of Control Agreements

In February 2014, the committee and the Board of Directors of the Company approved amendments to the employment agreement with each of our NEOs. The agreements are now referred to as Change of Control Agreements and contain provisions regarding the results of a change of control of the Company in certain circumstances. The committee believes that these agreements are important for a number of reasons, including providing reasonable compensation opportunities in the unique circumstances of a change of control that are not provided by other elements of our compensation program. The committee believes that change of control benefits, if structured appropriately, serve to minimize the distraction caused by a potential transaction and reduce the risk that key executives will leave Hecla before a transaction closes. The committee also believes that these agreements motivate the executives to make decisions that are in the best interests of our shareholders should a change of control take place. These agreements do this by providing executives with the necessary job stability and financial security during a change of control transaction and the subsequent period of uncertainty to help them stay focused on managing Hecla rather than on their own personal employment situation. The committee believes that all of these objectives serve the shareholders interests. The committee also believes that change of control provisions are an essential component of the executive compensation program and are necessary to attract and retain senior talent in the highly competitive talent market in which we compete.

The change of control provisions were developed by the Company and the committee based on market and industry competitive practice. The Company and the committee periodically review the benefits provided under the agreements to ensure that they serve our interests in retaining our key executives, are consistent with market and industry practice, and are reasonable.

Under the terms of our Change of Control Agreements, the CEO and the other NEOs are entitled to payments and benefits upon the occurrence of specified events, including termination of employment (with and without cause) following a change of control of the Company. The specific terms of these arrangements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end, are described in detail in the section entitled Change of Control and Termination on page 90.

The termination of employment provisions of the Change of Control Agreements were entered into to address competitive concerns when the NEOs were recruited to Hecla by providing these individuals with a fixed amount of compensation that would offset the risk of leaving their prior employer or foregoing other opportunities to join the Company. At the time of entering into these arrangements, the committee considered the aggregate potential obligations of the Company in the context of the desirability of hiring the individual and the expected compensation upon joining Hecla.

Tax and Accounting Considerations

Our compensation programs are affected by each of the following:

Accounting for Stock-Based Compensation. We account for stock-based compensation in accordance with the requirements of FASB ASC Topic 718. We also take into consideration other generally accepted accounting principles in determining changes to policies and practices for our stock-based compensation programs.

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code of 1986, as amended (Code Section 162(m)) provides that compensation in excess of $1 million paid to the CEO or to any other NEO (other than the chief financial officer) of a public company will not be deductible for federal income tax purposes unless such compensation is paid pursuant to one of the enumerated exceptions set forth in Code Section 162(m). We also believe that it is important to preserve flexibility in administering compensation programs in a manner designed to promote varying corporate goals. Accordingly, we have not adopted a policy that all compensation must qualify as deductible under Section 162(m). Amounts awarded or paid under any of our compensation programs, including salaries, annual incentive awards, performance awards, stock options and RSUs, may not qualify as performance-based compensation that is excluded from the limitation on deductibility.

Our primary objective in designing and administering our compensation policies is to support and encourage the achievement of our strategic goals and to enhance long-term shareholder value. For these and other reasons, the committee has determined that it will not necessarily seek to limit executive compensation to the amount that will be fully deductible under Code Section 162(m). The committee will continue to monitor developments and assess alternatives for preserving the deductibility of compensation payments and benefits to the extent reasonably practicable, as determined by the committee to be consistent with our compensation policies and in the best interests of the Company and our shareholders.

In 2013, Mr. Baker, our President and Chief Executive Officer, earned amounts subject to Section 162(m) in excess of $1 million, therefore a portion of his total compensation is not deductible by Hecla.

Section 409A of the Internal Revenue Code. Section 409A imposes additional significant taxes in the event that an executive officer or director receives deferred compensation that does not satisfy the requirements of Section 409A. We believe that we have designed and operated our plans to appropriately comply with Section 409A.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with Hecla s management and its independent compensation consultant. Based on its review and discussions, the committee recommended to the Board, and the Board has approved, the Compensation Discussion and Analysis included in this Proxy Statement and incorporated by reference in Hecla s Annual Report on Form 10-K for the year ended December 31, 2013.

Respectfully submitted by
The Compensation Committee of the
Board of Directors

George R. Nethercutt, Jr., Chairman
Ted Crumley
Terry V. Rogers
Dr. Anthony P. Taylor

COMPENSATION TABLES

Summary Compensation Table for 2013

The following compensation tables provide information regarding the compensation of our CEO, CFO, and four other NEOs who were the most highly compensated in the calendar year ended December 31, 2013 (NEOs).

Name and Principal Position	Year	Salary[1] ($)	Bonus[2] ($)	Stock Awards[3] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compensation[4] ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings[5] ($)	All Other Compensation ($)	Total ($)
Phillips S. Baker, Jr.	2013	575,208	- -	1,073,874[8]	0	1,497,375	692,922	15,300[6]	3,854,679
President and Chief	2012	522,917	- -	979,305	0	1,355,000	1,059,514	15,000	3,931,736
Executive Officer	2011	472,500	- -	800,004	0	1,745,000	592,579	12,792	3,622,875
James A. Sabala	2013	341,458	- -	344,999	0	825,750	268,474	15,300[6]	1,795,981
Senior Vice President	2012	313,750	- -	327,000	0	552,050	254,701	15,000	1,462,501
and CFO	2011	290,000	- -	299,998	0	653,750	148,278	12,317	1,404,343
Lawrence P. Radford	2013	341,458	- -	300,000	0	589,950	91,197	15,300[6]	1,337,905
Senior Vice President	2012	313,750	- -	222,000	0	360,980	38,823	15,000	950,553
Operations	2011	47,884	- -	414,180	0	82,208	2,817	11,243	558,332
Dr. Dean W. A. McDonald[9]	2013	279,443	- -	300,000	0	455,400	183,417	16,210[7]	1,234,470
Senior Vice President -	2012	242,444	- -	294,000	0	337,840	200,307	15,000	1,089,591
Exploration	2011	212,500	- -	270,008	0	442,250	118,525	15,213	1,058,496
David C. Sienko	2013	241,875	- -	154,001	0	387,900	60,693	15,300[6]	859,769
Vice President and General	2012	224,167	- -	154,000	0	279,460	47,176	15,000	719,803
Counsel	2011	207,500	- -	146,004	0	327,450	24,713	14,700	720,367
Don Poirier[9]	2013	233,080	- -	199,999	0	370,620	130,940	16,210[7]	950,849
Vice President	2012	210,411	- -	193,000	0	292,000	149,824	15,000	860,235
Corporate Development	2011	200,000	- -	170,002	0	378,000	89,925	15,213	853,140

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1. Salary amounts include both base salary earned and paid in cash during the fiscal year listed.

2. In accordance with SEC rules, the Bonus column will only disclose discretionary cash bonus awards. In each of 2011, 2012 and 2013, there were no discretionary cash bonuses awarded to any NEO.

3. The amounts shown in the Stock Awards column and the Option Awards column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For a description of the assumptions used in valuing the awards, please see Note 9 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2013. Please see the Grants of Plan-Based Awards for 2013 table on page 85 for more information about the awards granted in 2013.

4. This column represents the cash performance payments awarded and earned by the NEOs in the calendar years 2011 and 2012 under our AIP and plan periods 2009 2011 and 2010 2012 under our LTIP. The 2013 AIP and the 2011-2013 LTIP awards were paid 50% in cash and 50% in equity up to target level payout, with any portion above target also paid in equity in the form of restricted stock units that vest on August 26, 2014. The awards for each of the plan years are as follows:

Name	Year	AIP Award ($)	LTIP Plan Period	LTIP Units (#)	Unit Value ($)	LTIP Award ($)	Total AIP and LTIP ($)	Total AIP and LTIP Paid in Cash ($)	Total AIP and LTIP Paid in Shares* (#)
Baker	2013	544,500	2011-2013	8,250	115.50	952,875	1,497,375	684,750	237,610
	2012	605,000	2010-2012	7,500	100.00	750,000	1,355,000	1,355,000	0
	2011	625,000	2009-2011	5,600	200.00	1,120,000	1,745,000	1,745,000	0
Sabala	2013	479,250	2011-2013	3,000	115.50	346,500	825,750	283,125	158,662
	2012	292,050	2010-2012	2,600	100.00	260,000	552,050	552,050	0
	2011	303,750	2009-2011	1,750	200.00	350,000	653,750	653,750	0
Radford	2013	399,375	2011-2013	1,650	115.50	190,575	589,950	215,625	109,452
	2012	269,280	2010-2012	917	100.00	91,700	360,980	360,980	0
	2011	45,608	2009-2011	183	200.00	36,600	82,208	82,208	0
McDonald	2013	247,500	2011-2013	1,800	115.50	207,900	455,400	193,125	76,689
	2012	177,840	2010-2012	1,600	100.00	160,000	337,840	337,840	0
	2011	182,250	2009-2011	1,300	200.00	260,000	442,250	442,250	0
Sienko	2013	180,000	2011-2013	1,800	115.50	207,900	387,900	165,000	65,175
	2012	149,460	2010-2012	1,300	100.00	130,000	279,460	279,460	0
	2011	161,250	2009-2011	831	200.00	166,200	327,450	327,450	0
Poirier	2013	162,720	2011-2013	1,800	115.50	207,900	370,620	157,800	62,228
	2012	132,000	2010-2012	1,600	100.00	160,000	292,000	292,000	0
	2011	138,000	2009-2011	1,200	200.00	240,000	378,000	378,000	0

* Shares were valued based on the closing price of Hecla s common stock on the NYSE on March 3, 2014 ($3.42).

5. The amounts reported in this column are changes between December 31, 2012 and December 31, 2013 in the actuarial present value of the accumulated pension benefits. None of the amounts reported in this column are above-market nonqualified deferred compensation earnings.

6. These amounts are Hecla s matching contributions made under Hecla s Capital Accumulation Plan for the NEOs.

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7. These amounts are for retirement contributions made on behalf of Dr. McDonald and Mr. Poirier. Canadian employees are excluded from participation in the Hecla Capital Accumulation Plan. Dr. McDonald and Mr. Poirier are paid in Canadian funds. The amounts reported are in U.S. dollars based on the applicable exchange rates as reported in *The Wall Street Journal* from time-to-time.

8. Includes: (i) restricted stock units (170,648) granted to Mr. Baker on June 21, 2013; and (ii) performance-based shares (170,648) awarded to Mr. Baker on June 21, 2013. See Performance-based Shares on page 76 for a description of the performance-based shares.

9. Dr. McDonald and Mr. Poirier receive their compensation in Canadian funds. The amounts reported for Dr. McDonald and Mr. Poirier are in U.S. dollars based on the applicable exchange rates as reported in *The Wall Street Journal* from time-to-time during this time period.

The following table shows all plan-based awards granted to the NEOs during 2013.

Grants of Plan-Based Awards for 2013

Name	Grant Date	Long-Term Performance Plan Units (#)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	Other Stock Awards: Number of Shares of Stock or Units (#)[1]	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Closing Market Price on Date of Grant ($)	Grant Date Fai Value of Stock an Option Awards ($)
Phillips S. Baker, Jr.										
Restricted Stock[2]	6/21/13					170,648			2.93	499,99
Performance Shares[3]	6/21/13					170,648			2.93	573,87
LTIP[4]		8,250	0	825,000	1,650,000					
AIP[5]			0	605,000	1,210,000					
James A. Sabala										
Restricted Stock[2]	6/21/13					117,747			2.93	344,99
LTIP[4]		3,400	0	340,000	680,000					
AIP[5]			0	266,250	532,500					
Lawrence P. Radford										
Restricted Stock[2]	6/21/13					102,389			2.93	300,00
LTIP[4]		3,000	0	300,000	600,000					
AIP[5]			0	266,250	532,500					
Dr. Dean W.A. McDonald										
Restricted Stock[2]	6/21/13					102,389			2.93	300,00
LTIP[4]		2,600	0	260,000	520,000					
AIP[5]			0	206,250	412,500					
David C. Sienko										
Restricted Stock[2]	6/21/13	1,900	0	190,000	380,000	52,560			2.93	154,00
LTIP[4]			0	150,000	300,000					
AIP[5]										
Don Poirier										
Restricted Stock[2]	6/21/13					68,259			2.93	199,99
LTIP[4]		2,050	0	205,000	410,000					
AIP[5]			0	135,600	271,200					

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1. We account for equity-based awards in accordance with the requirements of FASB ASC Topic 718, pursuant to which we recognize compensation expense of performance-based share awards to an employee based on the fair value of the award on the grant date. Compensation expense of restricted stock and RSU awards to an employee is based on the stock price at grant date. The compensation expense for restricted stock and RSUs is recognized over the vesting period.

2. Represents the number of RSUs granted on June 21, 2013, to the NEOs under the terms of the KEDCP. The restrictions lapse for one-third of the RSUs on June 21, 2014, one-third on June 21, 2015, and one-third on June 21, 2016, at which time the units are converted into shares of our common stock. The grant date fair value of the RSUs is the number of restricted shares multiplied by the closing price of the Company common stock on the grant date of $2.93.

3. Represents the number of performance-based shares of Hecla common stock, having a target value of $500,000 with the potential of up to 200% of this target value (subject to specific performance terms and conditions established for these shares) to Mr. Baker under the KEDCP. Award of these performance-based shares will be on the basis of TSR of Hecla common stock for the three-year period from January 1, 2013 through December 31, 2015, based on the following percentile rank within peer group companies:

   - 100th percentile rank among peers = maximum award at 200% of target
   - 50th percentile rank among peers = target award at grant value
   - 25th percentile rank among peers = threshold award at 50% of target.
   - Hecla s TSR performance versus that of peer group companies will be based on average share price over the last 60 calendar days prior to January 1, 2013, as the base price, and average share price the last 60 calendar days of the three-year performance period to determine relative share value performance and ranking among peers.

4. Represents the potential value of the payout for each NEO under the 2013-2015 LTIP period if the threshold, target or maximum goals are satisfied for all performance measures. The potential payouts are performance-driven and therefore completely at risk. The business measurements and performance goals for determining the payout are described in the Compensation Discussion and Analysis beginning on page 50. Dollar amounts shown in this column are valued as follows: Threshold, $0; Target, $100; and Maximum, $200. As reflected in the Summary Compensation Table, awards were paid out in March 2014 for the three-year period 2011-2013. Awards were paid 50% in cash and 50% in equity up to target level payout, with any portion above target also paid in equity in the form of RSUs that vest on August 26, 2014.

5. Represents the potential value of the payout for each NEO under the 2013 AIP described on page 69. The total payout to each NEO under the 2013 AIP is described in footnote 4 to the Summary Compensation Table . Awards were paid 50% in cash and 50% in equity up to target level payout, with any portion above target also paid in equity in the form of restricted stock units that vest on August 26, 2014.

The following table provides information on the current holdings of stock option and stock awards by the NEOs. This table includes unexercised and unvested stock option awards, and unvested RSUs. Each equity grant is shown separately for each NEO. The stock option prices shown were determined by using the mean between the highest and lowest reported sales prices of our common stock on the NYSE on the date of grant. The market value of the RSUs is based on the closing market price of our common stock on the NYSE as of December 31, 2013, which was $3.08.

Outstanding Equity Awards at Calendar Year-End for 2013

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Grant Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested as of 12/31/13 ($)
Phillips S. Baker, Jr.	235,602	- -	3.42	5/28/09	5/28/14		
	137,615	- -	5.52	5/5/10	5/5/15		
						54,870[1]	169,000
						71,840[2]	221,267
						170,648[3]	525,596
						107,759[4]	479,304
						170,648[5]	573,875
James A. Sabala						20,576[1]	63,374
						46,983[2]	144,707
						117,747[3]	362,660
Lawrence P. Radford	- -	- -	- -	- -	- -		
						26,000[1]	80,080
						31,897[2]	98,243
						102,389[3]	315,358
						26,000[6]	80,080
Dr. Dean W. A. McDonald	65,445	- -	3.42	5/28/09	5/28/14		
	38,226	- -	5.52	5/5/10	5/5/15		
						18,519[1]	57,039
						42,242[2]	130,105
						102,389[3]	315,358
David C. Sienko	15,000		4.735	1/29/10	1/29/15		
	30,581		5.52	5/5/10	5/5/15		
						10,014[1]	30,843
						22,127[2]	68,151
						52,560[3]	161,885
Don Poirier	52,356	- -	3.42	5/28/09	5/28/14		
	30,581	- -	5.52	5/5/10	5/5/15		
						11,660[1]	35,913
						27,730[2]	85,408
						68,259[3]	210,237

1. RSU awards made on June 24, 2011, under the terms of the 2010 Stock Incentive Plan. The restrictions lapsed on March 14, 2014.

2. RSU awards made on June 25, 2012, under the terms of the KEDCP. The restrictions lapsed on one-third of the shares on June 25, 2013. The remaining RSUs lapse one-third on June 25, 2014; and one-third on June 25, 2015. If any NEO leaves the Company before the restrictions lapse, the NEO forfeits these RSUs. When cash dividends are paid on Hecla common stock, dividend equivalents are credited which are converted into additional RSUs subject to the same terms and conditions (including vesting conditions) as the underlying RSUs.

3. RSU awards made on June 21, 2013, under the terms of the KEDCP for Mr. Baker, and under the 2010 Stock Incentive Plan for the other NEOs. The restrictions lapse for one-third of the shares on June 21, 2014, one-third on June 21, 2015, and one-third on June 21, 2016. If any NEO leaves the Company before the restrictions lapse, the NEO forfeits these RSUs. When cash dividends are paid on Hecla common stock, dividend equivalents are credited which are converted into additional RSUs subject to the same terms and conditions (including vesting conditions) as the underlying RSUs.

4. Award of performance-based shares that will be earned on the basis of TSR of Hecla common stock for the three-year period from January 2, 2012 to December 31, 2014.

5. Award of performance-based shares that will be earned on the basis of TSR of Hecla common stock for the three-year period from January 1, 2013 through December 31, 2015.

6. RSU awards made on October 19, 2011. The 26,000 RSUs vest on August 5, 2016. When cash dividends are paid on Hecla common stock, dividend equivalents are credited which are converted into additional RSUs subject to the same terms and conditions (including vesting conditions) as the underlying RSUs.

The following table shows information concerning the exercise of stock options and the number of stock awards that vested during calendar year 2013 for each of the NEOs, and the value realized on the exercise of options and vesting of stock awards during calendar year 2013.

Option Exercises and Stock Vested for 2013

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting[1] (#)	Value Realized on Vesting ($)
Phillips S. Baker, Jr.	- -	- -	35,919[2]	- -
James A. Sabala	- -	- -	23,820	68,125
Lawrence P. Radford	- -	- -	16,171	46,249
Dr. Dean W.A. McDonald	- -	- -	21,415	61,247
David C. Sienko		- -	11,218	32,083
Don Poirier	- -	- -	14,059	40,209

1. The NEOs were granted these RSUs on June 25, 2012. On June 25, 2013, the restrictions lapsed and each NEO received his units in the form of shares of our common stock. The shares vested at the price of $2.86, which was the closing sales price of our common stock on the NYSE on June 25, 2013. Under the terms of the KEDCP, the RSUs accrued dividends until they vested and were paid in the form of shares.

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Name	# of Shares Vested	# of Dividend Equivalent Shares Earned
Baker	35,919	- -
Sabala	23,491	329
Radford	15,948	223
McDonald	21,120	295
Sienko	11,063	155
Poirier	13,865	194

2. Mr. Baker deferred the shares into his stock account under the terms of the KEDCP. He may not receive the shares until a Distributable Event, as defined under the KEDCP, and will not realize value until the shares are distributed to him.

The table below provides information on the nonqualified deferred compensation of the NEOs in 2013.

Nonqualified Deferred Compensation for 2013[1]

Name	Executive Stock Contributions in Last FYE[2] (#)	Registrant Contributions in Last FYE ($)	Aggregate Earnings in Last FYE ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance of Stock at Last FYE (#)
Phillips S. Baker, Jr.	35,919	- -	- -	- -	90,789[3]
James A. Sabala	- -	- -	- -	- -	- -
Lawrence P. Radford	- -	- -	- -	- -	- -
Dr. Dean W. A. McDonald[4]	- -	- -	- -	- -	- -
David C. Sienko	- -	- -	- -	- -	- -
Don Poirier[4]	- -	- -	- -	- -	- -

1. No cash compensation was deferred by NEOs in 2013.

2. Only vested stock was deferred into the KEDCP in 2012 and 2013.

3. Mr. Baker deferred 35,919 shares of restricted stock that vested in June 2013 into the KEDCP. In 2012, he deferred 54,870 shares of restricted stock that vested in June 2012.

4. Canadian employees are not eligible to participate in our deferred compensation plan.

Pursuant to the Company s KEDCP, executives and key employees, including the NEOs, may defer awards earned under the LTIP, AIP and any RSUs granted under the terms of the KEDCP and 2010 Stock Incentive Plan. Deferral elections are made by eligible executives in the prior year for amounts to be earned (or granted with regard to long-term stock grants) in the following year. An executive may defer all or a portion of their annual non-equity incentive compensation, long-term stock unit grants, awards under the KEDCP, up to 100% of their base compensation and up to 100% of their performance-based or bonus compensation. The KEDCP also provides for corporate matching amounts where the participants elect to have their deferred compensation value based on our common stock in order to promote alignment of the participants with our common shareholders. It also provides for corporate discretionary allocations of amounts valued by our common stock.

Amounts deferred under the KEDCP are initially credited to either an investment account or a stock account. Amounts credited to the investment account of a participant under the KEDCP are valued in dollars and are delivered to the participant in cash upon a distributable event. Amounts credited to the stock account of a participant are valued based upon our common stock and are delivered to the participant in shares of our common stock upon a distributable event.

As of the end of the last day of each calendar month, an additional amount is credited to the investment account of the participant equal to the product of (i) the average daily balance of the investment account for the month, multiplied by (ii) the annual prime rate for corporate borrowers quoted at the beginning of the quarter by *The Wall Street Journal* (or such other comparable interest rate as the Compensation Committee may designate from time-to-time).

The amounts credited to the investment or stock account of a participant under the KEDCP are distributable or payable, in general, upon the earliest to occur of one or more of the following distribution events: (i) the date on which the participant separates from service with us, with the right to a distribution delayed for six months for certain specified employees ; (ii) the date on which the participant separates from service with us due to disability which is defined in Section 409A of the Internal Revenue Code; (iii) the date on which the participant dies; (iv) a fixed date or fixed schedule selected by the participant; (v) the date on which occurs an unforeseeable emergency, which is defined in Section 409A of the Internal Revenue Code; (vi) the date on which occurs a change of control of the Company, which is defined in regulations issued by the Internal Revenue Service; and (vii) the date on which the KEDCP terminates.

The KEDCP is at all times considered to be entirely unfunded both for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended, and no provision will at any time be made with respect to segregating our assets for the payment of any amounts under the KEDCP. Any funds that may be invested for purposes of fulfilling our promises under the KEDCP are for all purposes to be part of our general assets and available to general creditors in the event of a bankruptcy or insolvency of the Company. Nothing contained in the KEDCP will constitute a guarantee by us that any funds or assets will be sufficient to pay any benefit under the KEDCP.

Prior to November 6, 2006, in accordance with the terms of the KEDCP, the Compensation Committee could permit participants to purchase discounted stock option units. The KEDCP was amended on November 6, 2006, and as a result, discounted stock option units can no longer be purchased.

Change of Control and Termination

We have Change of Control Agreements (collectively, the CIC Agreements) with our NEOs (Messrs. Baker, Sabala, McDonald, Poirier, Radford and Sienko).

The CIC Agreements were entered into on February 21, 2014 upon the recommendation to the Board by the Compensation Committee and were approved by the Board on the basis of such recommendation. The CIC Agreements provide that each of the NEOs shall serve in such executive position as the Board may direct. The CIC Agreements become effective only upon a change of control of the Company (the date of such change of control is referred to as the Effective Date). The term of employment under the CIC Agreements is three years from the Effective Date (except for Mr. Radford who has a term of two years from the Effective Date). Any CIC Agreements entered into with newly hired executives will contain an employment term of two years from the Effective Date. The CIC Agreements have a change of control period of three years (except for Mr. Radford who has a term of one year), and this period is automatically renewed for an additional year from the anniversary date of each year unless we give notice of nonrenewal 60 days prior to the renewal date. Under the CIC Agreements, a change of control is, with certain limitations, deemed to occur if: (i) an individual or entity (including a group under Section 13d-3 of the Exchange Act) becomes the beneficial owner of 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; (ii) as the result of a tender offer, merger, proxy fight or similar transaction, the persons who were previously directors of the Company cease to constitute a majority of the Board; (iii) consummation of the sale of all, or substantially all, of the assets of the Company (with certain limitations); or (iv) the approval of a plan of dissolution or liquidation.

The CIC Agreements are intended to ensure, among other things that, in the event of a change of control, each NEO will continue to focus on adding shareholder value. We seek to accomplish this by assuring that each NEO continues to receive payments and other benefits equivalent to those he was receiving at the time of a change of control for the duration of the term of the CIC Agreement. The CIC Agreements also provide that should a NEO s employment be terminated either (i) by the NEO for good reason, or (ii) by the Company (other than for cause or disability) after the Effective Date of the Employment Agreement, he would receive from us a lump-sum defined amount generally equivalent to three times the aggregate of his then annual base salary rate and his highest annual incentive prior to the Effective Date. For Mr. Radford and any other CIC Agreements entered into after February 21, 2014, the lump-sum defined amount is generally equivalent to two times.

The NEOs would also be entitled to lump-sum payments representing the difference in pension and supplemental retirement benefits to which they would be entitled on (i) the date of actual termination, and (ii) the end of the three-year (or two-year where applicable) employment period under the CIC Agreements. We would also maintain such NEO s participation in all benefit plans and programs (or provide equivalent benefits if such continued participation was not possible under the terms of such plans and programs).

A NEO whose employment has terminated would not be required to seek other employment in order to receive the defined benefits. The CIC Agreements also provide that under certain limited circumstances, we will make an additional gross-up payment if necessary to place the NEO in the same after-tax position as if no excess tax were imposed by the Internal Revenue Code. For Mr. Radford and any other executive who enters into a CIC Agreement after February 21, 2014, we apply a Best Net After Tax Payment, which reduces the amount received by the NEO upon a change of control if the NEO would receive a greater after-tax benefit than he would receive if full severance benefits were paid, taking into account all applicable taxes including any excise tax. See Payments Made Upon a Change of Control below.

The table starting on page 94 reflects the amount of compensation to each of the NEOs in the event of termination of such NEO s employment under the terms of the NEO s CIC Agreement. That table also shows the amount of compensation payable to each NEO upon voluntary termination; involuntary not for cause termination; for cause termination; termination following a change of control; and in the event of disability or death of the NEO. The amounts shown assume that such termination was effective as of December 31, 2013, and thus includes amounts earned through such time, and are estimates of the amounts which would be paid out to the NEOs upon their termination. The actual amounts to be paid out can only be determined at the time of such NEO s separation from Hecla.

Payments Made Upon Termination. For voluntary and involuntary not for cause terminations, NEOs may receive: (i) a prorated portion of short-term performance compensation; (ii) any amounts due under matured long-term performance compensation plans; (iii) one month of health and welfare benefits; and (iv) any earned, but unused vacation. Neither of these terminations would impact their vested retirement plans and the 401(k) match would be deposited in their accounts.

Payments Made Upon Retirement. The NEOs could receive a prorated portion of any short-term performance compensation and a prorated portion of any long-term compensation in effect at the time of their retirement. They would also receive one month of health and welfare benefits and any earned but unused vacation, and the 401(k) match would be deposited in their accounts. As of December 31, 2013, none of the NEOs are eligible for early or regular retirement.

Payments Made Upon Death or Disability. Upon death or disability, the NEOs would receive a prorated portion of any short-term performance compensation, as well as a prorated portion of any long-term compensation plans in which the NEO was a participant. In both cases, retirement would be reduced in accordance with the terms of the plans and, in the case of death, the surviving spouse or other beneficiary would receive the payments. They would also receive one month of health and welfare benefits and any accrued, but unused vacation and the 401(k) match would be deposited in their accounts.

Payments Made Upon a Change of Control. If a change of control occurs as defined in the NEOs CIC Agreements, they would be eligible for a prorated portion of any short-term performance compensation and a prorated portion of any long-term performance compensation as though they had been employed for an additional three years. They would also receive three years of health and welfare benefits and disability and life insurance premiums would be paid. In addition to any earned, but unused vacation, they would be eligible for up to $20,000 in outplacement assistance and the 401(k) match would be deposited in their accounts. Payment would be as if they had been employed for an additional two years for the CIC Agreement with Mr. Radford and any other CIC Agreements entered into after February 21, 2014.

The CIC Agreements provide for specified payments and other benefits if the NEO s employment is terminated either (i) by the NEO for good reason, or (ii) by Hecla or its successor other than for cause, death or disability, within the three years [two years for Mr. Radford] following a change of control, or prior to a change of control if it can be demonstrated that the termination was related to a potential change of control. These payments and benefits include the following:

- all accrued obligations;
- a lump-sum payment equal to three times the sum of the NEO s then annual base salary and the NEO s highest annual and long-term incentive payment for the three years prior to the change of control, with multiples of two years for the CIC Agreement with Mr. Radford and any other CIC Agreement entered into after February 21, 2014;
- a lump-sum payment equal to the difference in the Retirement Plan and Supplemental Plan benefits to which the NEO would be entitled on (i) the date of actual termination, and (ii) three years later, with two years later for the CIC Agreement with Mr. Radford and any other CIC Agreement entered into after February 21, 2014; and
- for Messrs. Baker, Sabala, McDonald, Sienko and Poirier, the continued participation for three years in all of Hecla s benefits plans and programs to which the NEO would be entitled on the date of the change of control (or provision of equivalent benefits if such continued participation was not possible under the terms of such plans and programs) with multiples of two years on the CIC Agreement with Mr. Radford and any other CIC Agreement entered into after February 21, 2014.

In addition, the CIC Agreements, in conjunction with our equity compensation plans, provide for immediate vesting of all stock options and restricted stock awards in the event of a change of control and the NEO is terminated without cause or leaves for good reason (i.e., a double trigger). In such a situation the Long-term Incentive Plan would also pay out a prorated award based on target performance, regardless of actual performance. However, this payment directly offsets the cash severance payment by the same amount. These plan provisions are intended to recognize the value of the NEO s long-term contribution to Hecla and not affect management decisions following termination.

The CIC Agreements provide that in the event that (i) a payment qualifies as an excess parachute payment under Section 280G of the Internal Revenue Code and is therefore subject to an excise tax, and (ii) the value of the excess parachute payment exceeds 110% of the safe harbor amount, then we will make an additional gross-up payment to place the NEO in the same after-tax position as if no excise tax were imposed. If the value of the excess parachute payment does not exceed 110% of the safe harbor amount, then no gross-up payment will be made to the NEO. The intent of this provision is to limit the exposure of Hecla and the NEOs to the excess parachute payment rules. The CIC Agreement for Mr. Radford, and any CIC Agreement entered into with newly hired executives after February 21, 2014, apply a Best Net After Tax Payment, which reduces the amount received by the NEO upon a change of control if the NEO would receive a greater after-tax benefit than he would receive if full severance benefits were paid, taking into account all applicable taxes including any excise tax.

Potential Payments Upon Termination or Change of Control

Executive Benefits and Payments Upon Termination	**Voluntary Termination on 12/31/13 ($)**	**Involuntary Not For Cause Termination on 12/31/13 ($)**	**For Cause Termination on 12/31/13 ($)**	**Termination Following a Change of Control on 12/31/13 ($)**	**Disability on 12/31/13 ($)**	**Death on 12/31/13 ($)**
Phillips S. Baker, Jr.						
Short-term Performance Compensation	544,500	544,500	- -	1,875,000[1]	544,500	544,500
Stock Options	- -	- -	- -	- -	- -	- -
Restricted Stock	- -	- -	- -	1,073,874	- -	- -
Long-term Performance Compensation	952,875	952,875	952,875	3,360,000[2]	1,777,875	1,777,875
Benefits & Perquisites:						
Retirement Plans[3]	3,367,865	3,367,865	3,367,865	4,928,982	6,081,973	3,895,681
Deferred Compensation[4]	- -	- -	- -	- -	- -	- -
Health and Welfare Benefits[5]	1,922	1,922	1,922	69,192	1,922	1,922
Disability Income[6]	- -	- -	- -	- -	1,138,803	- -
Life Insurance Benefits[7]	- -	- -	- -	11,103	- -	325,000
Change of Control Payment[8]	- -	- -	- -	1,815,000	- -	- -
Earned Vacation Pay[9]	46,536	46,536	46,536	46,536	46,536	46,536
Outplacement	- -	- -	- -	20,000	- -	- -
Total	**4,913,698**	**4,913,698**	**4,369,198**	**13,199,687**	**9,591,609**	**6,591,514**
James A. Sabala						
Short-term Performance Compensation	479,250	479,250	- -	1,437,750[1]	479,250	479,250
Stock Options	- -	- -	- -	- -	- -	- -
Restricted Stock	- -	- -	- -	344,999	- -	- -
Long-term Performance Compensation	346,500	346,500	346,500	1,050,000[2]	673,166	673,166
Benefits & Perquisites:						
Retirement Plans[3]	796,767	796,767	796,767	1,212,084	978,257	664,686
Deferred Compensation[4]	- -	- -	- -	- -	- -	- -
Health and Welfare Benefits[5]	1,922	1,922	1,922	69,192	1,922	1,922
Disability Income[6]	- -	- -	- -	- -	766,911	- -
Life Insurance Benefits[7]	- -	- -	- -	11,103	- -	325,000
Change of Control Payment[8]	- -	- -	- -	1,065,000	- -	- -
Earned Vacation Pay[9]	20,480	20,480	20,480	20,480	20,480	20,480
Outplacement	- -	- -	- -	20,000	- -	- -
Total	**1,644,919**	**1,644,919**	**1,165,669**	**5,230,608**	**2,919,986**	**2,164,504**

Executive Benefits and Payments Upon Termination	Voluntary Termination on 12/31/13 ($)	Involuntary Not For Cause Termination on 12/31/13 ($)	For Cause Termination on 12/31/13 ($)	Termination Following a Change of Control on 12/31/13 ($)	Disability on 12/31/13 ($)	Death on 12/31/13 ($)
Lawrence P. Radford						
Short-term Performance Compensation	399,375	399,375	- -	798,750[1]	399,375	399,375
Stock Options	- -	- -	- -	- -	- -	- -
Restricted Stock	- -	- -	- -	300,000	- -	- -
Long-term Performance Compensation	190,575	190,575	190,575	381,150[2]	457,240	457,240
Benefits & Perquisites:						
Retirement Plans[3]	132,837	132,837	132,837	320,563	258,041	163,484
Deferred Compensation[4]	- -	- -	- -	- -	- -	- -
Health and Welfare Benefits[5]	1,922	1,922	1,922	46,128	1,922	1,922
Disability Income[6]	- -	- -	- -	- -	1,195,367	- -
Life Insurance Benefits[7]	- -	- -	- -	11,103	- -	325,000
Change of Control Payment[8]	- -	- -	- -	710,000	- -	- -
Earned Vacation Pay[9]	20,480	20,480	20,480	20,480	20,480	20,480
Outplacement	- -	- -	- -	20,000	- -	- -
Total	**745,189**	**745,189**	**345,814**	**2,608,174**	**2,332,425**	**1,367,501**
Dr. Dean W.A. McDonald						
Short-term Performance Compensation	247,500	247,500	- -	742,500[1]	247,500	247,500
Stock Options	- -	- -	- -	- -	- -	- -
Restricted Stock	- -	- -	- -	300,000	- -	- -
Long-term Performance Compensation	207,900	207,900	207,900	780,000[2]	461,233	461,233
Benefits & Perquisites:						
Retirement Plans[3]	665,144	665,144	665,144	1,171,126	957,456	634,706
Deferred Compensation[4]	- -	- -	- -	- -	- -	- -
Health and Welfare Benefits[5]	260	260	260	9,360	260	260
Disability Income[6]	- -	- -	- -	- -	581,301	- -
Life Insurance Benefits[7]	- -	- -	- -	8,151	- -	189,000
Change of Control Payment[8]	- -	- -	- -	825,000	- -	- -
Earned Vacation Pay[9]	15,865	15,865	15,865	15,865	15,865	15,865
Outplacement	- -	- -	- -	20,000	- -	- -
Total	**1,136,669**	**1,136,669**	**889,169**	**3,872,002**	**2,263,615**	**1,548,564**
David C. Sienko						
Short-term Performance Compensation	180,000	180,000	- -	540,000[1]	180,000	180,000
Stock Options	- -	- -	- -	- -	- -	- -
Restricted Stock	- -	- -	- -	154,001	- -	- -
Long-term Performance Compensation	207,900	207,900	207,900	623,700[2]	397,900	397,900
Benefits & Perquisites:						
Retirement Plans[3]	138,115	138,115	138,115	265,602	463,633	271,825
Deferred Compensation[4]	- -	- -	- -	- -	- -	- -
Health and Welfare Benefits[5]	586	586	586	21,096	586	586
Disability Income[6]	- -	- -	- -	- -	1,512,617	- -
Life Insurance Benefits[7]	- -	- -	- -	9,510	- -	250,000
Change of Control Payment[8]	- -	- -	- -	750,000	- -	- -
Earned Vacation Pay[9]	14,423	14,423	14,423	14,423	14,423	14,423
Outplacement	- -	- -	- -	20,000	- -	- -
Total	**541,024**	**541,024**	**361,024**	**2,398,332**	**2,569,159**	**1,114,734**

Executive Benefits and Payments Upon Termination	Voluntary Termination on 12/31/13 ($)	Involuntary Not For Cause Termination on 12/31/13 ($)	For Cause Termination on 12/31/13 ($)	Termination Following a Change of Control on 12/31/13 ($)	Disability on 12/31/13 ($)	Death on 12/31/13 ($)
Don Poirier						
Short-term Performance Compensation	162,720	162,720	- -	488,160[1]	162,720	162,720
Stock Options	- -	- -	- -	- -	- -	- -
Restricted Stock	- -	- -	- -	199,999	- -	- -
Long-term Performance Compensation	207,900	207,900	207,900	720,000[2]	409,567	409,567
Benefits & Perquisites:						
Retirement Plans[3]	462,182	462,182	462,182	804,144	774,958	501,985
Deferred Compensation[4]	- -	- -	- -	- -	- -	- -
Health and Welfare Benefits[5]	260	260	260	9,360	260	260
Disability Income[6]	- -	- -	- -	- -	657,470	- -
Life Insurance Benefits[7]	- -	- -	- -	8,921	- -	220,000
Change of Control Payment[8]	- -	- -	- -	678,000	- -	- -
Earned Vacation Pay[9]	13,038	13,038	13,038	13,038	13,038	13,038
Outplacement	- -	- -	- -	20,000	- -	- -
Total	**846,100**	**846,100**	**683,380**	**2,941,622**	**2,018,013**	**1,307,570**

1. Represents three times the highest annual incentive payment paid in the last three years for Messrs. Baker, Sabala, McDonald, Sienko and Poirier. Represents two times the highest annual incentive payment paid in the last three years for Mr. Radford.

2. Represents three times the highest long-term incentive payment paid in the last three years for Messrs. Baker, Sabala, McDonald, Sienko and Poirier. Represents two times the highest long-term incentive payment paid in the last three years for Mr. Radford.

3. Reflects the estimated lump-sum present value of qualified and nonqualified retirement plans to which the NEO would be entitled. None of the NEOs qualify for early or regular retirement on December 31, 2013, under our retirement plan.

4. Reflects the lump-sum present value held in the NEO s account under our KEDCP as of December 31, 2013.

5. Reflects the estimated lump-sum value of all future premiums, which will continue to be paid by the Company on behalf of Messrs. Baker, Sabala, McDonald, Sienko and Poirier under our health and welfare benefit plans for three years upon change of control and for one month otherwise. Reflects the estimated lump-sum value of all future premiums, which will continue to be paid by the Company on behalf of Mr. Radford under our health and welfare benefit plans for two years upon change of control and for one month otherwise.

6. Reflects the estimated lump-sum present value of all future payments, which the NEO would be entitled to receive under our disability program.

7. Reflects the estimated lump-sum value of the cost of coverage for life insurance provided by us to the NEO; provided, however, that the amount reflected under the heading Death reflects the estimated present value of the proceeds payable to the NEO s beneficiaries upon his death.

8. Represents three times annual base salary for Messrs. Baker, Sabala, McDonald, Sienko and Poirier. Represents two times annual base salary for Mr. Radford.

9. Represents lump-sum payment of earned vacation time accrued.

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2013, the Company has three equity incentive compensation plans that have been approved by the shareholders under which shares of the Company s common stock have been authorized for issuance to directors, officers, employees, and consultants. All outstanding awards relate to our Common Stock.

	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders:			
2010 Stock Incentive Plan	- -	N/A	18,065,847
1995 Stock Incentive Plan [1]	612,745	4.29	- -
Stock Plan for Nonemployee Directors	- -	N/A	594,635
Key Employee Deferred Compensation Plan	- -	N/A	1,019,948
Equity Compensation Plans Not Approved by Security Holders	- -	- -	- -
Total	612,745	4.29	19,680,430

1. The 1995 Stock Incentive Plan expired on May 5, 2010. No additional stock options or restricted stock can be granted under this plan. However all outstanding stock options and restricted stock granted under this plan will continue to be governed by the provisions of the plan.

OTHER BENEFITS

Retirement Plan

Our NEOs participate in the Hecla Mining Company Qualified Retirement Plan (the Retirement Plan), which covers substantially all of our employees, except for certain hourly employees who are covered by separate plans. Contributions to the Retirement Plan, and the related expense or income, are based on general actuarial calculations and, accordingly, no portion of our contributions, and related expenses or income, is specifically attributable to our officers. We also have an unfunded Supplemental Excess Retirement Plan adopted in November 1985 (the SERP) under which the amount of any benefits not payable under the Retirement Plan by reason of the limitations imposed by the Internal Revenue Code and/or the Employee Retirement Income Security Act, as amended (the Acts), and the loss, if any, due to a deferral of salary made under our KEDCP and/or our 401(k) Plan will be paid out of our general funds to any employee who may be adversely affected. Under the Acts, the current maximum annual pension benefit payable by the Retirement Plan to any employee is $205,000 subject to specified adjustments and is calculated using earnings not in excess of $255,000. Upon reaching the normal retirement age of 65, each participant is eligible to receive annual retirement benefits in monthly installments for life equal to, for each year of credited service, 1% of final average annual earnings (defined as the highest average earnings of such employee for any 36 consecutive calendar months during the final 120 calendar months of service) up to the applicable covered compensation level (which level is based on the Social Security maximum taxable wage base) and 1.75% of the difference, if any, between final average annual earnings and the applicable covered compensation level. The Retirement Plan and SERP define earnings for purposes of the plans to be a wage or salary for services of employees inclusive of any bonus or special pay including gain sharing programs, contract miners bonus pay and the equivalent, except that on or after July 1, 2013, earnings are defined as base salary or wages for personal services and elective deferrals plus (i) elective deferrals not includable in the gross income of the Employee under Code Sections 125, 132(f)(4), 402(e)(3), 402(h), 403(b) and 457, (ii) one-half (1/2) of any performance based or annual incentive bonus, (iii) one-half (1/2) of any safety incentive award, (iv) paid time off, other than pay while on disability leave, (v) any post-employment payment for services performed during the course of employment that would have been paid to the Employee prior to the severance from employment if the Employee had continued in employment with and Employer, and (vi) compensation for overtime at the Employee s regular rate of pay.

The following table shows estimated aggregate annual benefits under our Retirement Plan and the SERP payable upon retirement to a participant who retires in 2013 at age 65 having the years of service and final average annual earnings as specified. The table assumes Social Security covered compensation levels as in effect on January 1, 2013.

Estimated Annual Retirement Benefits

Final Average Annual Earnings	**Years of Credited Service**						
	5	10	15	20	25	30	35
$100,000	$ 6,129	$ 12,258	$ 18,386	$ 24,515	$ 30,644	$ 36,773	$ 42,901
150,000	10,504	21,008	31,511	42,015	52,519	63,023	73,526
200,000	14,879	29,758	44,636	59,515	74,394	89,273	104,151
250,000	19,254	38,508	57,761	77,015	96,269	115,523	134,776
300,000	23,629	47,258	70,886	94,515	118,144	141,773	165,401
350,000	28,004	56,008	84,011	112,015	140,019	168,023	196,026
400,000	32,379	64,758	97,136	129,515	161,894	194,273	226,651
450,000	36,754	73,508	110,261	147,015	183,769	220,523	257,276
500,000	41,129	82,258	123,386	164,515	205,644	246,773	287,901
550,000	45,504	91,008	136,511	182,015	227,519	273,023	318,526
600,000	49,879	99,758	149,636	199,515	249,394	299,273	349,151
650,000	54,254	108,508	162,761	217,015	271,269	325,523	379,776
700,000	58,629	117,258	175,886	234,515	293,144	351,773	410,401
750,000	63,004	126,008	189,011	252,015	315,019	378,023	441,026
800,000	67,379	134,758	202,136	269,515	336,894	404,273	471,651
850,000	71,754	143,508	215,261	287,015	358,769	430,523	502,276
900,000	76,129	152,258	228,386	304,515	380,644	456,773	532,901
950,000	80,504	161,008	241,511	322,015	402,519	483,023	563,526
1,000,000	84,879	169,758	254,636	339,515	424,394	509,273	594,151

Benefits listed in the pension table are not subject to any deduction for Social Security or other offset amounts. As of December 31, 2013, the following executive officers have completed the indicated number of full years of credited service: P. Baker, 12 years; J. Sabala, 5 years; L. Radford, 2 years; D. McDonald, 7 years; D. Sienko, 3 years; and D. Poirier, 6 years.

Pension Benefits

The following table shows pension information under the Hecla Mining Company Retirement Plan and the SERP for the NEOs as of December 31, 2013. The terms and conditions for participation in, and payments from these plans are described above under Other Benefits. The actuarial present value of accumulated benefit is determined using the same assumptions used for financial reporting purposes except that retirement age is assumed to be the normal retirement age of 65. These assumptions are described in the pension footnotes to our financial statements included in our Annual Report to shareholders and on Form 10-K.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Calendar Year ($)
Phillips S. Baker, Jr.	Hecla Mining Company Retirement Plan	12	324,161	- -
	Hecla Mining Company Supplemental Excess Retirement Plan		3,043,704	- -
James A. Sabala	Hecla Mining Company Retirement Plan	5	193,032	- -
	Hecla Mining Company Supplemental Excess Retirement Plan		603,735	- -
Lawrence P. Radford	Hecla Mining Company Retirement Plan	2	52,644	- -
	Hecla Mining Company Supplemental Excess Retirement Plan		80,193	- -
Dr. Dean W.A. McDonald	Hecla Mining Company Retirement Plan	7	219,098	- -
	Hecla Mining Company Supplemental Excess Retirement Plan		446,046	- -
David C. Sienko	Hecla Mining Company Retirement Plan	3	63,295	- -
	Hecla Mining Company Supplemental Excess Retirement Plan		74,820	- -
Don Poirier	Hecla Mining Company Retirement Plan	6	174,669	- -
	Hecla Mining Company Supplemental Excess Retirement Plan		287,513	- -

OTHER BUSINESS

As of the date of this Proxy Statement, the Board is not aware of any matters that will be presented for action at the Annual Meeting other than those described above. However, should other business properly be brought before the Annual Meeting, the proxies will be voted thereon at the discretion of the persons acting thereunder.

By Order of the Board of Directors
Michael B. White
Corporate Secretary

April 7, 2014

MEETING TO BE HELD AT:

The Hotel Capital Cook
939 W. 5th Ave.
Anchorage, Alaska

The Hotel Capital Cook is located at the corner of 4th Ave. and K Street in downtown Anchorage.

DRIVING DIRECTIONS

- **From Anchorage International Airport**
  - Head East on Postmark Drive toward Heliport Place.
  - Turn left at W Int l Airport Road.
  - Take the Minnesota Drive Ramp and continue straight onto Minnesota Drive.
  - Continue on I Street and turn left at West 5th Avenue.
- **From the North**
  - Head Southwest on Glenn Highway S
  - Continue on East 5th Avenue
- **From the South**
  - Head Northwest on Seward Highway N
  - Turn left at East Northern Lights Blvd.
  - Turn right at A Street
  - Turn left at West 5th Avenue

For other directions, please contact The Hotel Capital Cook at 907-276-6000.

Appendix A

CERTIFICATE OF INCORPORATION

ARTICLE VII.

Actions by Shareholders

Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called annual or special meeting of shareholders of the Corporation and may not be effected by any consent in writing by such shareholders. Special meetings of shareholders of the Corporation may be called only by the Board pursuant to a resolution approved by a majority of the entire Board, except as otherwise permitted by the Bylaws of the Corporation. Notwithstanding anything contained in this Certificate of Incorporate to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article VII.

Appendix B

BYLAWS

ARTICLE II.

Meetings of Shareholders

Section 1. Annual Meetings. Annual meetings of shareholders for the election of directors and for such other business as may be stated in the notice of the meeting, shall be held at such place, either within or without the State of Delaware, and at such time and date as the Board of Directors by resolution, shall determine and as set forth in the notice of the meeting. In the event the Board of Directors fails so to determine the time, date and place of meeting, the annual meeting of shareholders shall be held at the principal executive office of the Corporation at 10:00 a.m. on the first Wednesday in May. If the date of the annual meeting shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day. The annual meeting may be adjourned by the chairman of the meeting from time to time and place to place. At any adjourned annual meeting the Corporation may transact any business which might have been transacted at the original annual meeting. The Board of Directors acting by resolution may postpone and reschedule any previously scheduled annual meeting of shareholders upon public notice or disclosure given prior to the date previously scheduled for such meeting of shareholders.

Section 2. Voting. Each shareholder who is entitled to vote pursuant to the terms of the Certificate of Incorporation and these Bylaws, or who is entitled to vote pursuant to the laws of the State of Delaware, shall be entitled to vote in person or by proxy, but no proxy shall be voted after three years from its date unless such proxy provides for a longer period. All elections for directors and all other questions shall be decided by majority vote except as otherwise provided by the Certificate of Incorporation, these Bylaws or the laws of the State of Delaware.

A complete list of the shareholders entitled to vote at any meeting of shareholders at which directors are to be elected, arranged in alphabetical order, with the address of each, and the number of shares held by each, shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder who is present.

The Chief Executive Officer shall appoint three Inspectors of Election prior to each meeting of shareholders. Upon his appointment, each such Inspector shall take and sign an oath faithfully to execute the duties of Inspector at such meeting with strict impartiality and to the best of his ability. Such Inspectors shall determine the number of shares outstanding, the voting power of each such share, the number of shares present at the meeting and whether a quorum is present at such meeting. The Inspectors shall receive votes and ballots and shall determine all challenges and questions as to the right to vote and shall thereafter count and tabulate all votes and ballots and determine the result. Such Inspectors shall do such further acts as are proper to conduct the elections of directors and the vote on other matters with fairness to all shareholders. The Inspectors shall make a certificate of the results of the elections of directors and the vote on other matters. No Inspector shall be a candidate for election as a director of the Corporation nor shall any such candidate be appointed an Inspector.

Section 3. Quorum. Except as otherwise required by law, by the Certificate of Incorporation or by these Bylaws, the presence, in person or by proxy, of shareholders holding a majority of the voting power of the outstanding stock of the Corporation shall constitute a quorum at all meetings of the shareholders. In case a quorum shall not be present at any meeting, a majority in interest of the shareholders entitled to vote thereat, present in person or by proxy or the chairman of the meeting, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock entitled to vote shall be present; provided, however, that if such adjournment is for more than thirty days, or if after such adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at such adjourned meeting. At any such adjourned meeting at which the requisite amount of stock entitled to vote shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed; but only those shareholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof unless the Board of Directors shall have fixed a new record date for such adjournment or adjournments pursuant to Section 4 of Article V of these Bylaws.

Section 4. Special Meetings.

(A) General. Special meetings of shareholders may be called only by (i) the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors, or (ii) solely to the extent required by Section 4(B), the Secretary of the Corporation. Special meetings of shareholders may be held at such place, either within or without the State of Delaware, and at such time and date as shall be stated in the notice of the meeting. The special meeting may be adjourned by the chairman of the special meeting from time to tie and place to place. At any adjourned special meeting the Corporation may transact any business which might have been transacted at the original special meeting. The Board of Directors acting by resolution approved by a majority of the entire Board of Directors may postpone and reschedule any previously scheduled special meeting of shareholders upon public notice or disclosure given prior to the date previously scheduled for such meeting of shareholders.

(B) Shareholder Requested Special Meetings.

(1) Special meetings of the shareholders (each a Shareholder Requested Special Meeting) shall be called by the Secretary upon the written request of a shareholder (or a group of shareholders formed for the purpose of making such request) who or which has held at least 25% Net Long Beneficial Ownership (as defined below) of the outstanding common stock of the Corporation continuously for at least 120 days as of the date of submission of the request (the Requisite Percent). Compliance by the requesting shareholder or group of shareholders with the requirements of this section and related provisions of these bylaws shall be determined in good faith by the Board of Directors, which determination shall be conclusive and binding on the Corporation and the shareholders.

Net Long Beneficial Ownership (and its correlative terms), when used to describe the nature of a shareholder s ownership of common stock of the Corporation, shall mean those shares of common stock of the Corporation as to which the shareholder in question possesses (x) the sole power to vote or direct the voting, (y) the sole economic incidents of ownership (including the sole right to profits and the sole risk of loss), and (z) the sole power to dispose of or direct the disposition. The number of shares calculated in accordance with clauses (x), (y) and (z) shall not include any shares (1) sold by such shareholder in any transaction that has not been settled or closed, (2) borrowed by such shareholder for any purposes or purchased by such shareholder pursuant to an agreement to resell or (3) subject to any option, warrant, derivative or other agreement or understanding, whether any such arrangement is to be settled with shares of common stock of the Corporation or with cash based on the notional amount of shares subject thereto, in any such case which has, or is intended to have, the purpose or effect of (A) reducing in any manner, to any extent or at any time in the future, such shareholder s rights to vote or direct the voting and full rights to dispose or direct the disposition of any of such shares or (B) offsetting to any degree gain or loss arising from the sole economic ownership of such shares by such shareholder.

(2) A request for a Shareholder Requested Special Meeting must be signed by the Requisite Percent of the record holders (or their duly authorized agents) and be delivered to the Secretary at the principal executive offices of the Corporation by registered mail, return receipt requested.

Such request shall (A) set forth a statement of the specific purpose or purposes of the meeting and the matters proposed to be acted on at such special meeting, (B) bear the date of signature of each shareholder (or duly authorized agent) signing the request, (C) include (w) the name and address, as they appear in the Corporation s stock ledger, of each shareholder signing such request (or on whose behalf the Shareholder Special Meeting Request is signed), (x) the class, if applicable, and the number of shares of common stock of the Corporation that are owned of record and beneficially by each such shareholders, (y) documentary evidence of such shareholder s record and beneficial ownership of such stock and (z) a certification from each such shareholder that the shareholders signing the request in the aggregate satisfy the Net Long Beneficial Ownership requirement of these Bylaws, (D) set forth all information relating to each such shareholder (and if the matter proposed to be acted on at such special meeting involves the election of directors, each person whom the shareholder proposes to nominate for election) that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act), (E) describe any material interest of each such shareholder in the specific purpose or purposes of the meeting, and (F) include an acknowledgement by each shareholder and any duly authorized agent that any disposition of shares of common stock of the Corporation as to which such shareholder has Net Long Beneficial Ownership as of the date of delivery of the special meeting request and prior to the record date for the proposed meeting requested by such shareholder shall constitute a revocation of such request with respect to such shares. In addition, the shareholder and any duly authorized agent shall promptly provide any other information reasonably requested by the Corporation to allow it to satisfy its obligations under applicable law.

Any requesting shareholder may revoke a request for a special meeting at any time by written revocation delivered to the Secretary at the principal executive offices of the Corporation. If, following such revocation at any time before the date of the Shareholder Requested Special Meeting, the remaining requests are from shareholders holding in the aggregate less than the Requisite Percent, the Board of Directors, in its discretion, may cancel the Shareholder Requested Special Meeting.

(3) Notwithstanding the foregoing, the Secretary shall not be required to call a special meeting of shareholders if (A) the request for such special meeting does not comply with this Section 4(B), (B) the Board of Directors has called or calls an annual or special meeting of shareholders to be held not later than ninety (90) days after the date on which a valid request has been delivered to the Secretary (the Delivery Date), (C) the request is received by the Secretary during the period commencing ninety (90) days prior to the first anniversary of the date of the immediately preceding annual meeting and ending on the date of the next annual meeting, (D) the request contains an identical or substantially similar item (a Similar Item) to an item that was presented at any meeting of shareholders held within one hundred and twenty (120) days prior to the Delivery Date (and, for purposes of this clause (D) the election of directors shall be deemed a Similar Item with respect to all items of business involving the election or removal of directors), (E) the request relates to an item of business that is not a proper subject for action by the shareholders of the Corporation under applicable law, or (F) the request was made in a manner that involved or would involve a violation of Regulation 14A under the Exchange Act or other applicable law.

(4) Any Shareholder Requested Special Meeting shall be held at such date, time and place within or without the state of Delaware as may be fixed by the Board of Directors; provided, however, that the date of any Shareholder Requested Special Meeting shall be not more than sixty (60) days after the record date for such meeting (the Meeting Record Date), which shall be fixed in accordance with Article V, Section 4 of these Bylaws, provided that, in no event shall the Meeting Record Date be more than twenty (20) days after the date on which a valid request for a Shareholder Requested Special Meeting, which complies with the requirements of this section and related provisions of these Bylaws, is delivered to the Secretary of the Corporation. In fixing a date and time for any Shareholder Requested Special Meeting, the Board of Directors may consider such factors as it deems relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for the special meeting and any plan of the Board of Directors to call an annual meeting or a special meeting.

(5) Business transacted at any Shareholder Requested Special Meeting shall be limited to the purpose(s) stated in the request; provided, however, that nothing herein shall prohibit the Corporation from submitting additional matters to a vote of the shareholders at any Shareholder Requested Special Meeting.

Section 5. Notice of Meetings. Written notice, stating the place, date and time of any annual or special meeting of shareholders, and the general nature of the business to be considered thereat, shall be given to each shareholder entitled to vote at such meeting at his address as it appears on the records of the Corporation, not less than ten nor more than sixty days before the date of the meeting.

Section 6. Shareholder Action. Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called annual or special meeting of shareholders of the Corporation and may not be effected by any consent in writing by such shareholders.

Section 7. Chairman of a Meeting. At each meeting of the shareholders the Chairman of the Board, or if he shall be absent therefrom, the President, or if he shall be absent therefrom, another officer of the Corporation chosen by the Board of Directors, shall act as chairman of the meeting or preside thereat.

Section 8.

(A) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this By-Law, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this By-Law.

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of paragraph (A)(1) of this By-Law, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder s notice as described above. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the ~~Securities~~ Exchange Act ~~of 1934, as amended (the “Exchange Act~~”) and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf of the nomination or proposal is made (i) the name and address of such shareholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this By-Law to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this By-Law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) ~~provided that the Board of Directors has determined that directors shall be elected at such special meeting,~~ by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this By-Law, who shall be entitled to vote at the meeting and who (y) in the case of a special meeting of shareholders called pursuant to clause (i) of the first sentence of Section (4)(A) of Article II of these Bylaws, complies with the notice procedures set forth in this By-Law, or (z) in the case of a Shareholder Requested Special Meeting, complies with the requirements set forth in section 4(B) of Article II of these Bylaws. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if (i) in the case of a special meeting of shareholders called pursuant to clause (i) of the first sentence of Section (4)(A) of Article II of these Bylaws, the shareholder's notice required by paragraph (A)(2) of this By-Law shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting, or (ii) in the case of a Shareholder Requested Special Meeting, the shareholder complies with the requirements set forth in Section 4(b) of Article II of these Bylaws. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a shareholder s notice as described above.

(C) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this By-Law shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-Law. The Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this By-Law and, if any proposed nomination or business is not in compliance with this By-Law, to declare that such defective proposal shall be disregarded.

(2) For purposes of this By-Law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provision of this By-Law, a shareholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this By-Law. Nothing in this By-Law shall be deemed to affect any rights of (i) shareholders to request inclusion of the proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) the holders of any series of Preferred Stock to elect directors under specified circumstances.

HECLA MINING COMPANY
6500 N. MINERAL DRIVE, SUITE 200
COEUR D' ALENE, ID 83815

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: x

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

					For All	**Withhold All**	**For All Except**
The Board of Directors recommends you vote FOR the following:							
1.	Election of Directors **Nominees**				c	c	c
01	Phillips S. Baker, Jr.	02	Dr. Anthony P. Taylor				

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

The Board of Directors recommends you vote FOR proposals 2., 3. and 4.		**For**	**Against**	**Abstain**
2.	Proposal to ratify and approve the selection of BDO USA, LLP as independent auditors of the Company for the calendar year.	c	c	c
3.	Advisory resolution to approve executive compensation.	c	c	c
4.	Approval of amendments to the Company's Certificate of Incorporation and Bylaws to permit shareholders to call special meetings of shareholders.	c	c	c

NOTE: With discretionary authority upon such other matters that may properly come before the meeting including any adjournment or postponement.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date
Signature (Joint Owners)	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Annual Report is/are available at www.proxyvote.com.

HECLA MINING COMPANY
6500 N. Mineral Drive, Suite 200
Coeur d Alene, Idaho 83815-9408

ANNUAL MEETING OF SHAREHOLDERS, MAY 22, 2014

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES FOR DIRECTOR LISTED IN ITEM 1 AND "FOR" PROPOSALS 2, 3, AND 4.

The undersigned, revoking any previous proxies, hereby appoints PHILLIPS S. BAKER, JR. and MICHAEL B. WHITE, and each of them, proxies of the undersigned, with full power of substitution, to attend the Company's Annual Meeting of Shareholders on May 22,

2014, and any adjournments or postponements thereof, and there to vote the undersigned's shares of Common Stock of the Company on the following matters as described in the Board of Directors Proxy Statement for such meeting, a copy of which has been received by the undersigned.

Continued and to be signed on reverse side