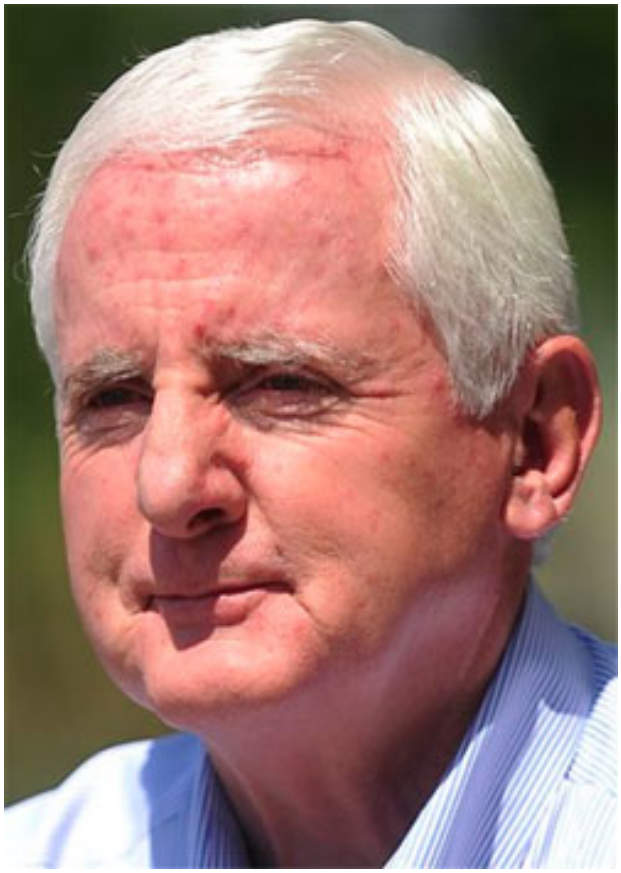
Mining Company Revokes $2.3M in Shares Given to CEO

MATTHEW BROWN, Associated Press

BILLINGS, Mont. (AP) — Stillwater Mining Co. said Wednesday it was revoking almost 187,000 shares of company stock now worth more than $2.3 million in the wake of a lawsuit that challenged the compensation to its chief executive as excessive.



(AP) — This undated photo shows Frank McAllister, CEO of Stillwater Mining. The Billings, Mont.-based company is revoking $2.3 million worth of company stock awarded to McAllister after a lawsuit challenged the compensation as excessive. The move was detailed in a Wednesday, April 10, 2013 filing with securities regulators. It comes as the precious-metals mining company tries to fend off a corporate takeover attempt by a group including former Gov. Brian Schweitzer. **(AP Photo/The Billings Gazette)**

The disclosure from the precious-metals mining company came as it tries to fend off a corporate takeover attempt by a group including former Montana Gov. Brian Schweitzer.

The dissident shareholder group has made the company's compensation practices a central issue in its campaign to oust Stillwater's board of directors.

The move by the company on Wednesday appeared aimed at quieting any shareholder concerns ahead of a May 2 vote on a proposal to replace the current board.

The class-action lawsuit that triggered the stock revocation was filed last week by

attorneys for a shareholder. It claimed stock awards to Stillwater Chairman and CEO Frank McAllister in 2010 and 2012 exceeded the company's shareholder-approved compensation plan.

The Billings-based company said in a securities filing that board members voted to rescind those awards and another in 2009 "to avoid unnecessary legal expenses and the potential distraction of litigation."

The company maintained the awards were not improper as alleged, and rejected the lawsuit as being without merit. The company said that under federal tax regulations that exclude certain types of awards, the compensation limits cited in the lawsuit did not apply to the shares given to McAllister.

Stillwater spokesman Dan Gagnier declined further comment.

The revocation included all shares that McAllister received or was due in excess of the 250,000-share annual limit in the company's compensation plan. That means McAllister will keep 750,000 shares he was awarded during the three years in question.

Stillwater shares closed Wednesday up less than 1 percent at $12.39 on the New York Stock Exchange.

A Stillwater shareholder from Pennsylvania, Sylvia Jurgelewicz, was named as the plaintiff in the class-action lawsuit filed in U.S. District Court in Billings.

One of Jurgelewicz's attorneys, Tom Towe, said revoking the stock was the right thing to do but does not fully remedy the violations of the company's internal compensation plan.

"That violation needs to be explained before those shareholders vote on the election of the directors next month," he said.

An April 25 hearing is set on a preliminary injunction sought by the plaintiff, but it was uncertain if it would take place now that the shares have been revoked.

Stillwater is the only U.S. producer of platinum and palladium — precious metals primarily used to make catalytic converters that reduce vehicle pollution.

Schweitzer has teamed with a New York hedge fund, the Clinton Group, in the bid to oust McAllister and other Stillwater board members. They would be replaced with a new team that would include the former Democratic governor.

Clinton Group managing director Greg Taxin said it was shocking that the company's board of directors "blew right past the limits approved by stockholders" in awarding McAllister the shares.

The company employs more than 1,664 people and operates two mines in the Beartooth Mountains of south-central Montana. It also runs a precious metals

recycling plant in Columbus.

In recent years, Stillwater sought to expand internationally. Under McAllister's leadership, it bought a proposed palladium and platinum mine in Canada and a vast reserve of copper in a remote area of the Andes in Argentina.

The foreign ventures cost an estimated $525 million. Critics including Schweitzer say the purchases distracted from the company's core operations in Montana, driving down the stock price as potential investors shied away.

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