

Writer's Direct Contact
+1 (202) 887-1585
SLesmes@mofo.com

Exchange Act/Rule 14a-8

January 8, 2021

VIA E-MAIL (shareholderproposals@sec.gov)

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: U.S. Silica Holdings, Inc.— Shareholder Proposal of The City of Philadelphia Public Employees Retirement System

Dear Ladies and Gentlemen:

We submit this letter on behalf of our client U.S. Silica Holdings, Inc., a Delaware corporation (the “*Company*”), requesting confirmation that the staff (the “*Staff*”) of the Division of Corporation Finance of the U.S. Securities and Exchange Commission (the “*Commission*”) will not recommend enforcement action to the Commission if, in reliance on Rule 14a-8 under the Securities Exchange Act of 1934 (the “*Exchange Act*”), the Company omits the attached shareholder proposal (the “*Proposal*”) submitted by The City of Philadelphia Public Employees Retirement System (the “*Proponent*”) from the Company’s proxy materials for its 2021 Annual Meeting of Shareholders (the “*2021 Proxy Materials*”).

Pursuant to Rule 14a-8(j) under the Exchange Act, we have:

- filed this letter with the Commission no later than eighty (80) calendar days before the Company intends to file its definitive 2021 Proxy Materials with the Commission; and
- concurrently sent copies of this correspondence to the Proponent.

Copies of the Proposal, the Proponent’s cover letter submitting the Proposal, and other correspondence relating to the Proposal are attached hereto as Exhibit A.

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 2

Pursuant to the guidance provided in Section F of Staff Legal Bulletin No. 14F (Oct. 18, 2011), we ask that the Staff provide its response to this request to Scott Lesmes, on behalf of the Company, via email at slesmes@mofo.com, and to the Proponent's Chief Investment Officer II, Kristyn Bair, via email at Kristyn.Bair@Phila.gov.

I. THE PROPOSAL

On October 19, 2020, the Company received the Proposal for inclusion in the Company's 2021 Proxy Materials. The Proposal reads as follows:

“RESOLVED, that shareholders of U.S. Silica Holdings, Inc. (“Company”) urge the Board of Directors (the “Board”) to adopt a policy that when the Company adjusts or modifies any generally accepted accounting principles (“GAAP”) financial performance metric for determining senior executive compensation, the Compensation Committee’s Compensation Discussion and Analysis shall include a specific explanation of the Compensation Committee’s rationale for each adjustment and a reconciliation of the adjusted metric to GAAP.

SUPPORTING STATEMENT:

As shareholders, we support compensation arrangements that incentivize senior executives to drive growth while safeguarding company operations and reputation over the long-term. We do not believe executives should be insulated from risks through their compensation arrangements. When adjustments to financial metrics are thought necessary when making the calculation on goals for the purpose of awarding of incentive compensation, the Board should provide investors with an explanation as to why the changes are necessary. That justification and financial impact should be disclosed to investors in the same section of the proxy that reports the incentive compensation earned in response to achievement on the metrics.

*Investors would benefit from a line item discussion of why the Company deviates from calculations standardized under GAAP. Shareholders receive earnings per share based on the clear GAAP calculation of net profit divided by the outstanding shares of its common stock. However, many companies including **U.S. Silica Holdings, Inc.**, use their own accounting methods when reporting out*

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 3

metrics for purposes of determining executive incentive awards under the short or long term equity plans.

U.S. Silica Holdings, Inc. does not reconcile GAAP and adjusted GAAP results for purposes of awarding executive incentive pay in the proxy statement.

Many investors believe that companies should do a better job disclosing the purpose of using adjusted-GAAP metrics for executive compensation. For example, the Council of Institutional Investors has petitioned the SEC to address this lack of transparency. The petition seeks "...a requirement for clear explanations and GAAP reconciliations that would permit a shareholder to understand the company's approach and factor that into its say-on-pay vote and/or buy/sell decision" (<https://www.sec.gov/rules/petitions/2019/petn4-745.pdf>).

For these reasons, we urge a vote FOR this resolution."

II. EXCLUSION OF THE PROPOSAL

A. Basis for Excluding the Proposal

As discussed more fully below, the Company believes it may properly omit the Proposal from its 2021 Proxy Materials in reliance on Rule 14a-8(i)(10), as the Company has substantially implemented the Proposal.

B. The Proposal may be Omitted in Reliance on Rule 14a-8(i)(10), as the Company has Substantially Implemented the Proposal Within the Meaning of Rule 14a-8(i)(10)

The Commission stated in 1976 that the predecessor to Rule 14a-8(i)(10) was "designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." *Exchange Act Release No. 12598* (July 7, 1976). Originally, the Staff narrowly interpreted this predecessor rule and granted no-action relief only when proposals were "'fully' effected" by the company. *See Exchange Act Release No. 19135* (Oct. 14, 1982). By 1983, the Commission recognized that the "previous formalistic application of [the Rule] defeated its purpose" because proponents were successfully convincing the Staff to deny no-action relief by submitting proposals that differed from existing company policy by only a few words. *Exchange Act Release No. 20091* (Aug. 16, 1983) (the "**1983 Release**"). In the 1983 Release, the Commission expressed a revised interpretation of the rule to permit the omission of proposals that had been "substantially implemented," and then codified this revised interpretation in *Exchange Act Release No. 40018* (May 21, 1998) (the "**1998 Release**"). Thus,

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 4

when a company can demonstrate that it already has taken actions to address the underlying concerns and essential objective of a shareholder proposal, the Staff has concurred that the proposal has been “substantially implemented” and may be excluded as moot. *See, e.g., Bank of New York Mellon Corp.* (Feb. 15, 2019); *Exelon Corp.* (Feb. 26, 2010); and *Exxon Mobil Corp. (Burt)* (Mar. 23, 2009).

Consistent with this standard, the Staff has noted that “a determination that the company has substantially implemented the proposal depends upon whether [the company’s] particular policies, practices and procedures compare favorably with the guidelines of the proposal.” *See, e.g., Texaco, Inc.* (Mar. 6, 1991, recon. granted Mar. 28, 1991). *See also, Annaly Capital Management, Inc.* (Feb. 22, 2019); and *JPMorgan Chase & Co.* (Feb. 5, 2020). The Staff has not required that a company implement the action requested in a proposal exactly as prescribed by a proponent when determining whether a proposal has been substantially implemented. *See, e.g., General Electric Co.* (Mar. 3, 2015) (concurring with exclusion of a proxy access proposal under Rule 14-8(i)(10), noting the company’s representation that the board had adopted a proxy access bylaw that addressed the “proposal’s essential objective”).

Exclusion of the Proposal from the Company’s 2021 Proxy Materials is also supported by recent Staff no action responses which concerned similar proposals and in which the Staff agreed with a company’s argument that its public disclosures “compare[d] favorably with the guidelines of the proposal.” In *Applied Materials, Inc.* (Jan. 17, 2018), the Staff concurred in the exclusion of a proposal under Rule 14a-8(i)(10) which requested that the company “improve the method to disclose the Company’s executive compensation information with their actual compensation,” after finding that the company’s public disclosures, which satisfied existing requirements under applicable securities laws, “compare favorably with the guidelines of the Proposal and that, therefore, the Company ha[d] substantially implemented the Proposal.” Last year, in *Xerox Holdings Corp.* (Feb. 12, 2020) the Staff considered a proposal with a “Resolved” clause nearly identical to that in the Proposal. The Staff concurred in the exclusion of the *Xerox* proposal under Rule 14a-8(i)(10) based on the company’s assertions that it had been substantially implemented by virtue of the company’s public disclosures, including proxy disclosure containing detailed definitions and rationale for its adjustments to financial performance metrics for purposes of determining senior executive compensation.

The Proposal requests that the Company’s Board of Directors (the “**Board**”) adopt a policy that when the Company adjusts or modifies any generally accepted accounting principles (“**GAAP**”) financial performance metric for determining senior executive compensation, the Compensation Discussion and Analysis (the “**CD&A**”) will include a specific explanation of the Compensation Committee’s (the “**Committee**”) rationale for such adjustment and a reconciliation of the adjusted metric to GAAP. For the reasons set forth below, the Proposal has already been substantially implemented by the Company within the meaning of Rule 14a-8(i)(10).

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 5

1. The Company's 2020 Proxy Statement Addresses the Objectives of the Request

The disclosure matters comprising the Proposal's essential objectives have already been implemented in the Company's proxy statement for the Company's 2020 Annual Meeting of Stockholders (the "**2020 Proxy Statement**"), which includes detailed explanations for the adjustments to financial performance metrics used by the Company in determining senior executive compensation (the "**Non-GAAP measures**") in addition to quantification of the Non-GAAP measures and the related specific impacts.¹

For example, for the fiscal year ended December 31, 2019 ("**Fiscal 2019**"), the Company's performance component of its 2019 performance-based cash incentive (the "**ABIP**") was based on the metric Adjusted EBITDA. Under the heading "ABIP Component Calculation – Company Performance" in the CD&A of the 2020 Proxy Statement, the Company provides the following explanation to clearly describe how this specific metric is calculated from the Company's audited financial statements:

We define "Adjusted EBITDA" as our consolidated earnings before interest, taxes, depreciation and amortization, as audited, as adjusted by the Compensation Committee to take into consideration the following: (i) restructurings, discontinued operations, extraordinary items or events (including acquisitions and divestitures and related expenses), and other unusual or non-recurring charges, (ii) an event either not directly related to our operations or not within the reasonable control of our management, (iii) losses incurred as a result of any goodwill impairment, (iv) a change in tax law or accounting standards required by GAAP, and (v) other adjustments permitted under our credit agreement.²

Further, the Company discloses in the CD&A its rationale for using Adjusted EBITDA, stating that it was selected "because it is a key metric used by management, the Board and [the Company's] investors to assess [the Company's] operating performance, and because it is an objective metric that can be consistently measured and applied."³ In the same section, the Company provides a clear cross-reference to its reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure contained in the Company's annual report on Form 10-K for Fiscal 2019 (the "**2019 Form 10-K**") under the heading *How We Evaluate Our Business in the Management's Discussion and Analysis of Financial Condition and Results of Operations*.⁴

¹ The relevant pages from the 2020 Proxy Statement discussed in this No Action Request are included in [Exhibit B](#).

² See page 27 of the 2020 Proxy Statement.

³ *Id.*

⁴ The relevant pages from the 2019 Form 10-K discussed in this No Action Request are included in [Exhibit B](#).

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 6

Similarly, under the heading “ABIP Component Calculation – Business Unit Performance” in the CD&A of the 2020 Proxy Statement, the Company provides disclosure regarding its use of the metric “Business unit contribution margin.”⁵ In line with the requests of the Proposal, the disclosure describes this metric as one “that management uses to evaluate [the Company’s] operating performance and to determine resource allocation between segments” and explains its method of calculation as “the given business unit’s contribution to the company’s financials less certain corporate costs not directly related to the operations of the segment such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources.” The Committee’s rationale is then further described, stating that the Non-GAAP measure was selected by the Committee because it is “a key metric used by management, the Board and [the Company’s] investors to assess [the Company’s] operating performance, and because it is an objective metric that can be consistently measured and applied.”⁶

Further, the CD&A disclosure regarding this Non-GAAP measure goes on to explain as follows with regard to a specific executive officer:

All of our officers used our ISP segment for the Business Unit Performance Component except for Derek Ussery, who used the O&G segment. Prior to his appointment as President of our Oil and Gas Proppants business line in November 2019, Mr. Ussery was the chief operating officer of our SandBox business line. In connection with Mr. Ussery’s promotion, the Compensation Committee adjusted Mr. Ussery’s 2019 goal such that 60% of his ABIP award would be tied to the business unit contribution margin of the entire O&G segment rather than only the SandBox business line.⁷

Similar to the above, the Company provides a cross-reference to the reconciliation of Business unit contribution margin to the most directly comparable GAAP financial measure in the 2019 Form 10-K under the heading *How We Evaluate Our Business*.⁸

The C&DA disclosure also quantifies the Non-GAAP measure under the ABIP for 2019, including that of business unit contribution margin by each specific business unit.⁹ The disclosure states that the Committee “evaluated each of the following financial achievements in the context of pre-determined minimum target and maximum goals: (i) the Company’s Adjusted EBITDA of \$286.3 million; (ii) the contribution margin for the O&G segment, comprised of the SandBox and Oil & Gas Proppants business lines, of \$248.6 million; (iii) the contribution margin

⁵ See page 27 of the 2020 Proxy Statement.

⁶ *Id.*

⁷ *Id.*

⁸ Note that in the 2019 Form 10-K, this Non-GAAP measure is referred to as “segment contribution margin” rather than “business unit contribution margin,” which the 2020 Proxy Statement states on page 27.

⁹ See page 28 of the 2020 Proxy Statement.

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 7

for the ISP segment, comprised of the Specialty Minerals and Performance Materials business lines, of \$178.2 million.” The disclosure then provides the following detailed rationale regarding the Non-GAAP measures:

In establishing the goals for each of these financial measures, the Compensation Committee set minimum thresholds, targets and maximum payouts with an expectation to pay out at target. In making these determinations, the Compensation Committee considered the Company’s performance with respect to these metrics in recent periods; recent and known upcoming trends in the Company’s business that could affect its performance, including any planned business acquisitions or other extraordinary transactions; and industry and market trends that could impact these metrics. As part of this review of extraordinary transactions, the Compensation Committee determined that it was appropriate to reduce the Company’s Adjusted EBITDA by \$12.9 million for the purpose of calculating ABIP payouts, as the Compensation Committee determined that the NEOs should only receive partial credit for shortfall penalties assessed to multiple customers according to contract terms which were realized in 2019.

The 2020 Proxy Statement also provides explanation regarding the Non-GAAP measures made in connection with the Fiscal 2019 performance stock unit (“*PSU*”) awards made under the ABIP. The C&DA includes detailed disclosure regarding Adjusted Cash Flow, a non-GAAP measure, highlighting that this is a “new metric” for Fiscal 2019.¹⁰ The description of the Committee’s rationale outlines the relevant background—that for “the most recent PSU cycles, beginning with the 2016-2018 cycle, the performance measure for awards of PSUs has been relative TSR over three years”—and discloses that, as a result, in January 2019, the Committee “decided to diversify the metrics for the PSU vesting” to include this Non-GAAP measure, “due to the Company’s strategic focus on generating cash.” For “purposes of the Cash Flow PSUs,” per the C&DA the Company defines “Adjusted Cash Flow” as being “calculated by subtracting capital expenditures, working capital, and other cash related items from Adjusted EBITDA.”¹¹ On the following page the disclosure makes clear that the “[t]he absolute target for the Cash Flow PSUs will be selected each year based on our forecast for cash generation in February of that year through December 31. Performance relative to that target amount will be evaluated at the end of each respective year, and after December 31, 2021 the Cash Flow PSUs earned relative to target will be based on the average of the three annual performance results relative to their respective targets.”¹²

¹⁰ See page 29 of the 2020 Proxy Statement.

¹¹ *Id.*

¹² See page 30 of the 2020 Proxy Statement. The Company notes that no vesting which would require disclosure regarding achievement has yet occurred for the PSUs issued during Fiscal 2019, but the Company intends to provide detailed information regarding the Non-GAAP measure in future proxy statements to report such vesting.

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 8

Lastly, the 2020 Proxy Statement's CD&A illustrates the magnitude of the Non-GAAP measures' financial impact in part through a detailed comparison chart showing the realized pay of the Company's Chief Executive Officer for the years 2015-2019 to both the Company's TSR and Adjusted EBITDA over the same period.¹³ This disclosure explains that the graph, which is provided in Exhibit B to this No Action Request, "demonstrates that our [the Company's] realized pay generally correlates to [the Company's] TSR over that period, and that the trend in [the Company's] stock price has generally been disconnected from strong results of operations."¹⁴

As demonstrated by the C&DA disclosures referenced above, the Company's 2020 Proxy Statement already provides to investors the "justification and financial impact" of its Non-GAAP measures "in the same section of the proxy that reports the incentive compensation earned in response to achievement on the metrics," as requested by the language of the Proposal's supporting statement.

2. *The Company's Prior Proxy Statements Provide Similar Disclosures*

The Company has included similar disclosures in the CD&A section of its proxy statements filed in connection with its 2019 Annual Meeting of Stockholders and its 2018 Annual Meeting of Stockholders. In each of these proxy statements, the CD&A disclosure is tailored to describe the specific Non-GAAP measures relating to the compensation decisions of the respective year.¹⁵

3. *The Company's Annual Reports on Form 10-K Provide Reconciliation to Further Quantify the Non-GAAP measures*

The Company acknowledges the Proposal's statement that the Company does not reconcile its GAAP and adjusted GAAP results for purposes of awarding executive incentive pay in its proxy statements. As discussed above, the C&DA in the 2020 Proxy Statement cross-references to the reconciliation tables for Business Unit Contribution Margin/Segment Contribution Margin and Adjusted EBITDA as disclosed in the 2019 Form 10-K, as permitted by the Commission's proxy rules. In addition, the Company's Annual Reports on Form 10-K for each of the fiscal years ended December 31, 2018 and 2017 provide similar reconciliations.

While the Proponent appears to generally prefer that these reconciliations be provided in the CD&A, this disclosure is nonetheless highlighted by cross-reference and made easily accessible to the Company's stockholders. As noted above, the Company's existing C&DA disclosures are aligned with the essential objectives of the Proposal, which concern disclosure of

¹³ See page 25 of the 2020 Proxy Statement.

¹⁴ *Id.*

¹⁵ The relevant pages from each of the 2019 and 2018 proxy statements are included in Exhibit C.

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
January 8, 2021
Page 9

the Non-GAAP measures used in the Company's compensation decisions; that the Company's practice has been to disclose its reconciliations in its Form 10-K does not alter the fact that the Company already has consistently provided "clear explanations and GAAP reconciliations that would permit" its stockholders to understand the Company's "approach" and "factor that into [the stockholder's] say-on-pay vote and/or buy/sell decision," as the Proposal's supporting statement requests.

Further, as discussed above, a company's actions need not absolutely adhere to the actions requested by a proposal if the company can demonstrate that its policies, practices and procedures compare favorably with its guidelines. *See, e.g., Walgreen Co.* (Sep. 26, 2013) (concurring in the exclusion under Rule 14a-8(i)(10) of a proposal requesting elimination of supermajority voting requirements in the company's governing documents where the company had eliminated all but one of the supermajority voting requirements). As in *Xerox*, the Company's past proxy statement and annual report disclosure compares favorably to the objectives of the Proposal by demonstrating the Company's pattern of providing disclosure specifically explaining its Non-GAAP measures, including the calculations and rationales for each, as well as quantifying the Non-GAAP measures. As shown by these disclosures that have been filed with the Commission, and as excerpted with this No Action Request, the actions sought by the Proposal have been substantially implemented for purposes of Rule 14a-8(i)(10).

III. CONCLUSION

For the reasons discussed above, the Company believes that it may properly omit the Proposal from its 2021 Proxy Materials in reliance on Rule 14a-8. As such, we respectfully request that the Staff concur with the Company's view and not recommend enforcement action to the Commission if the Company omits the Proposal from its 2021 Proxy Materials. If we can be of further assistance in this matter, please do not hesitate to contact me at (202) 887-1585.

Sincerely,



Scott Lesmes
Morrison & Foerster LLP

Attachments

cc: Christopher Difusco Chief Investment Officer, The City of Philadelphia Public Employees Retirement System
Stacy Russell, Senior Vice President, General Counsel and Corporate Secretary
U.S. Silica Holdings, Inc.

EXHIBIT A

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Monday, October 19, 2020 5:38 PM
To: CorporateSecretary
Cc: Maureen O'Brien (mobrien@segalmarco.com)
Subject: City of Philadelphia-US Silica
Attachments: US Silica_AdjustedGAAP_PPERS 10.19.20.pdf

Importance: High

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Evening,

Please see attached shareholder proposal on behalf of the City of Philadelphia Board of Pensions and Retirement
Our custodial verification will be sent separately.

If you have any questions, please do not hesitate to contact me.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement
Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102
(p) 215-685-3477 | Kristyn.Bair@phila.gov



BOARD OF PENSIONS AND RETIREMENT
PHILADELPHIA PUBLIC EMPLOYEES
RETIREMENT SYSTEM

BOARD MEMBERS:
ROB DUBOW, Chairperson
REBECCA RHYNHART
MARCEL PRATT, Esq.
TUMAR ALEXANDER
MICHAEL ZACCAGNI
RONALD STAGLIANO, Vice Chair
CAROL G. STUKES-BAYLOR
VERONICA M. PANKEY
BRIAN P. COUGHLIN

CHRISTOPHER DIFUSCO
Chief Investment Officer

October 19, 2020

By regular mail and email: corporatesecretary@ussilica.com

Ms. Stacy Russell
Senior Vice President, General Counsel and Corporate Secretary
U.S. Silica Holdings, Inc.
24275 Katy Freeway, Suite 600
Katy, Texas 77494

Re: The City of Philadelphia Public Employees Retirement System

Dear Ms. Russell:

In my capacity as the Chief Investment Officer of The City of Philadelphia Public Employees Retirement System (the "Fund"), I write to give notice that pursuant to the 2020 proxy statement of U.S. Silica Holdings (the "Company"), the Fund intends to present the attached proposal (the "Proposal") at the 2021 annual meeting of shareholders (the "Annual Meeting") along with co-filers. The Fund requests that the Company include the Proposal in the Company's proxy statement for the Annual Meeting.

A letter from the Fund's custodian documenting the Fund's continuous ownership of the requisite amount of the Company's stock for at least one year prior to the date of this letter is being sent under separate cover. The Fund also intends to continue its ownership of at least the minimum number of shares required by the SEC regulations through the date of the Annual Meeting.

I represent that the Fund or its agent intends to appear in person or by proxy at the Annual Meeting to present the attached Proposal. I declare the Fund has no "material interest" other than that believed to be shared by stockholders of the Company generally.

Sincerely,

Christopher R. Difusco

Christopher DiFusco
Chief Investment Officer

RESOLVED, that shareholders of **U.S. Silica Holdings, Inc.** (“Company”) urge the Board of Directors (the “Board”) to adopt a policy that when the Company adjusts or modifies any generally accepted accounting principles (“GAAP”) financial performance metric for determining senior executive compensation, the Compensation Committee’s Compensation Discussion and Analysis shall include a specific explanation of the Compensation Committee’s rationale for each adjustment and a reconciliation of the adjusted metric to GAAP.

SUPPORTING STATEMENT:

As shareholders, we support compensation arrangements that incentivize senior executives to drive growth while safeguarding company operations and reputation over the long-term. We do not believe executives should be insulated from risks through their compensation arrangements. When adjustments to financial metrics are thought necessary when making the calculation on goals for the purpose of awarding of incentive compensation, the Board should provide investors with an explanation as to why the changes are necessary. That justification and financial impact should be disclosed to investors in the same section of the proxy that reports the incentive compensation earned in response to achievement on the metrics.

Investors would benefit from a line item discussion of why the Company deviates from calculations standardized under GAAP. Shareholders receive earnings per share based on the clear GAAP calculation of net profit divided by the outstanding shares of its common stock. However, many companies including **U.S. Silica Holdings, Inc.**, use their own accounting methods when reporting out metrics for purposes of determining executive incentive awards under the short or long term equity plans.

U.S. Silica Holdings, Inc. does not reconcile GAAP and adjusted GAAP results for purposes of awarding executive incentive pay in the proxy statement.

Many investors believe that companies should do a better job disclosing the purpose of using adjusted-GAAP metrics for executive compensation. For example, the Council of Institutional Investors has petitioned the SEC to address this lack of transparency. The petition seeks “...a requirement for clear explanations and GAAP reconciliations that would permit a shareholder to understand the company’s approach and factor that into its say-on-pay vote and/or buy/sell decision” (<https://www.sec.gov/rules/petitions/2019/petn4-745.pdf>).

For these reasons, we urge a vote FOR this resolution.

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Tuesday, October 27, 2020 12:43 PM
To: CorporateSecretary
Cc: Maureen O'Brien (mobrien@segalmarco.com)
Subject: Custodial Verification
Attachments: Bene Owner - US Silica Holdings.pdf

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good afternoon,

Please see attached.

Let me know if you have any questions.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement
Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102
(p) 215-685-3477 | Kristyn.Bair@phila.gov

Charles Callahan
Vice President
Investor Services

J.P.Morgan

10/27/20

By regular mail and email: corporatesecretary@ussilica.com

Ms. Stacy Russell
Senior Vice President, General Counsel and Corporate Secretary
U.S. Silica Holdings, Inc.
24275 Katy Freeway, Suite 600
Katy, Texas 77494

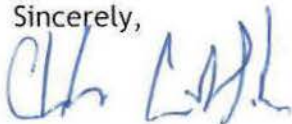
Re: The City of Philadelphia Public Employees Retirement System

Dear Ms. Russell:

As custodian of The City of Philadelphia Public Employees Retirement System (the "Fund"), we are writing to report that as of the close of business on 10/19/20 the Fund held shares of U.S. Silica Holdings, Inc. ("Company") stock in our account at Depository Trust Company and registered in its nominee name of Cede & Co. The Fund has held in excess of \$2,000 worth of shares in your Company continuously since 10/19/19.

If there are any other questions or concerns regarding this matter, please feel free to contact me at 212-623-0407.

Sincerely,



Charles Callahan
Vice President

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Thursday, November 5, 2020 11:42 AM
To: Kristyn Bair; CorporateSecretary
Cc: Maureen O'Brien (mobrien@segalmarco.com)
Subject: RE: City of Philadelphia-US Silica

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Please provide some dates and times that your team would be available during the week of November 16-20, 2020.

Thank you,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Monday, October 19, 2020 4:38 PM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: City of Philadelphia-US Silica
Importance: High

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Evening,

Please see attached shareholder proposal on behalf of the City of Philadelphia Board of Pensions and Retirement
Our custodial verification will be sent separately.

If you have any questions, please do not hesitate to contact me.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement

Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102
(p) 215-685-3477 | Kristyn.Bair@phila.gov

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Friday, December 4, 2020 10:33 AM
To: CorporateSecretary; Kristyn Bair
Cc: Maureen O'Brien (mobrien@segalmarco.com)
Subject: RE: City of Philadelphia-US Silica

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Are you available for a discussion next week?

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Thursday, November 5, 2020 10:42 AM
To: Kristyn Bair <Kristyn.Bair@Phila.gov>; CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Please provide some dates and times that your team would be available during the week of November 16-20, 2020.

Thank you,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Monday, October 19, 2020 4:38 PM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: City of Philadelphia-US Silica
Importance: High

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Evening,

Please see attached shareholder proposal on behalf of the City of Philadelphia Board of Pensions and Retirement
Our custodial verification will be sent separately.

If you have any questions, please do not hesitate to contact me.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement
Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102
(p) 215-685-3477 | Kristyn.Bair@phila.gov

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Friday, December 4, 2020 11:12 AM
To: CorporateSecretary
Cc: Maureen O'Brien (mobrien@segalmarco.com)
Subject: Re: City of Philadelphia-US Silica

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Matthew;

Can you provide a few dates and times and we will see what works for us.

Thank you,

Kristyn Bair

Get [Outlook for iOS](#)

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Friday, December 4, 2020 10:33:04 AM
To: CorporateSecretary <CorporateSecretary@ussilica.com>; Kristyn Bair <Kristyn.Bair@Phila.gov>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

External Email Notice. This email comes from outside of City government. Do not click on links or open attachments unless you recognize the sender.

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Are you available for a discussion next week?

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Thursday, November 5, 2020 10:42 AM
To: Kristyn Bair <Kristyn.Bair@Phila.gov>; CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Please provide some dates and times that your team would be available during the week of November 16-20, 2020.

Thank you,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Monday, October 19, 2020 4:38 PM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: City of Philadelphia-US Silica
Importance: High

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Evening,

Please see attached shareholder proposal on behalf of the City of Philadelphia Board of Pensions and Retirement
Our custodial verification will be sent separately.

If you have any questions, please do not hesitate to contact me.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement
Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.

Philadelphia, PA 19102

(p) 215-685-3477 | Kristyn.Bair@phila.gov

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Monday, December 7, 2020 10:40 AM
To: Kristyn Bair; CorporateSecretary
Cc: Maureen O'Brien (mobrien@segalmarco.com)
Subject: RE: City of Philadelphia-US Silica

Kristyn,

We are generally available on either the 10th or 11th. Some suggested dates and times:

December 10:

9:00am to 10:00 am CST
10:30am to 11:30am CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

December 11:

9:00am to 10:00 am CST
10:30am to 11:30am CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

If any of these times work for you, I will send out a conference call meeting invitation.

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Friday, December 4, 2020 10:12 AM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: Re: City of Philadelphia-US Silica

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Matthew;

Can you provide a few dates and times and we will see what works for us.

Thank you,

Kristyn Bair

Get [Outlook for iOS](#)

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Friday, December 4, 2020 10:33:04 AM
To: CorporateSecretary <CorporateSecretary@ussilica.com>; Kristyn Bair <Kristyn.Bair@Phila.gov>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

External Email Notice. This email comes from outside of City government. Do not click on links or open attachments unless you recognize the sender.

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Are you available for a discussion next week?

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Thursday, November 5, 2020 10:42 AM
To: Kristyn Bair <Kristyn.Bair@Phila.gov>; CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Please provide some dates and times that your team would be available during the week of November 16-20, 2020.

Thank you,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Monday, October 19, 2020 4:38 PM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: City of Philadelphia-US Silica
Importance: High

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Evening,

Please see attached shareholder proposal on behalf of the City of Philadelphia Board of Pensions and Retirement
Our custodial verification will be sent separately.

If you have any questions, please do not hesitate to contact me.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement
Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102
(p) 215-685-3477 | Kristyn.Bair@phila.gov

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Wednesday, December 9, 2020 2:00 PM
To: CorporateSecretary
Cc: Maureen O'Brien (mobrien@segalmarco.com); James Cousounis
Subject: RE: City of Philadelphia-US Silica

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good afternoon,

The dates below do not work for us, could you send over a few more for review.

Thanks,

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Monday, December 7, 2020 10:40 AM
To: Kristyn Bair <Kristyn.Bair@Phila.gov>; CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

External Email Notice. This email comes from outside of City government. Do not click on links or open attachments unless you recognize the sender.

Kristyn,

We are generally available on either the 10th or 11th. Some suggested dates and times:

December 10:

9:00am to 10:00 am CST
10:30am to 11:30am CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

December 11:

9:00am to 10:00 am CST
10:30am to 11:30am CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

If any of these times work for you, I will send out a conference call meeting invitation.

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Friday, December 4, 2020 10:12 AM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: Re: City of Philadelphia-US Silica

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Matthew;

Can you provide a few dates and times and we will see what works for us.

Thank you,

Kristyn Bair

Get [Outlook for iOS](#)

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Friday, December 4, 2020 10:33:04 AM
To: CorporateSecretary <CorporateSecretary@ussilica.com>; Kristyn Bair <Kristyn.Bair@Phila.gov>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

External Email Notice. This email comes from outside of City government. Do not click on links or open attachments unless you recognize the sender.

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Are you available for a discussion next week?

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Thursday, November 5, 2020 10:42 AM
To: Kristyn Bair <Kristyn.Bair@Phila.gov>; CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Please provide some dates and times that your team would be available during the week of November 16-20, 2020.

Thank you,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Monday, October 19, 2020 4:38 PM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: City of Philadelphia-US Silica
Importance: High

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Evening,

Please see attached shareholder proposal on behalf of the City of Philadelphia Board of Pensions and Retirement. Our custodial verification will be sent separately.

If you have any questions, please do not hesitate to contact me.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement
Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102

(p) 215-685-3477 | Kristyn.Bair@phila.gov

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Wednesday, December 9, 2020 4:22 PM
To: Kristyn Bair; CorporateSecretary
Cc: Maureen O'Brien (mobrien@segalmarco.com); James Cousounis
Subject: RE: City of Philadelphia-US Silica

Kristyn,

We are generally available on the 14th, the 16th or the 17th. Some suggested dates and times:

December 14:

9:00am to 10:00 am CST
10:30am to 11:30am CST
1:30pm to 2:30pm CST
4:30pm to 5:30pm CST

December 16:

9:30am to 10:30 am CST
11:00am to noon CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

December 17:

9:00am to 10:00 am CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

If any of these times work for you, I will send out a conference call meeting invitation.

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Wednesday, December 9, 2020 1:00 PM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>; James Cousounis <James.Cousounis@Phila.gov>
Subject: RE: City of Philadelphia-US Silica

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good afternoon,

The dates below do not work for us, could you send over a few more for review.

Thanks,

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Monday, December 7, 2020 10:40 AM
To: Kristyn Bair <Kristyn.Bair@Phila.gov>; CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

External Email Notice. This email comes from outside of City government. Do not click on links or open attachments unless you recognize the sender.

Kristyn,

We are generally available on either the 10th or 11th. Some suggested dates and times:

December 10:

9:00am to 10:00 am CST
10:30am to 11:30am CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

December 11:

9:00am to 10:00 am CST
10:30am to 11:30am CST
1:30pm to 2:30pm CST
3:00pm to 4:00pm CST

If any of these times work for you, I will send out a conference call meeting invitation.

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Friday, December 4, 2020 10:12 AM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: Re: City of Philadelphia-US Silica

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Matthew;

Can you provide a few dates and times and we will see what works for us.

Thank you,

Kristyn Bair

Get [Outlook for iOS](#)

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Friday, December 4, 2020 10:33:04 AM
To: CorporateSecretary <CorporateSecretary@ussilica.com>; Kristyn Bair <Kristyn.Bair@Phila.gov>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

External Email Notice. This email comes from outside of City government. Do not click on links or open attachments unless you recognize the sender.

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Are you available for a discussion next week?

Best Regards,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: CorporateSecretary <CorporateSecretary@ussilica.com>
Sent: Thursday, November 5, 2020 10:42 AM
To: Kristyn Bair <Kristyn.Bair@Phila.gov>; CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: RE: City of Philadelphia-US Silica

Mr. DiFusco and Ms. Bair,

We are in receipt of your letter dated October 19, 2020 and the custodian certification provided by J.P. Morgan dated October 27, 2020. We note that your proposal requests the Board of Directors of U.S. Silica Holdings, Inc. (the "Company") to adopt a policy that requires the Company to include a specific explanation of the Compensation Committee's rationale for each adjustment in any non-GAAP financial metric used in executive compensation, and a reconciliation of such metrics to GAAP financial metrics.

The Company provides detailed disclosure in the Company's proxy statement regarding its use of Contribution Margin and Adjusted EBITDA, and incorporates by reference the reconciliation of these metrics to GAAP metrics as found in the Company's Annual Report. However, we would like to speak with you to discuss your concerns and to attempt to find a compromise which will address those concerns.

Please provide some dates and times that your team would be available during the week of November 16-20, 2020.

Thank you,
Matthew Rinegar
Senior Counsel, Securities and Corporate Governance
Assistant Corporate Secretary

From: Kristyn Bair <Kristyn.Bair@Phila.gov>
Sent: Monday, October 19, 2020 4:38 PM
To: CorporateSecretary <CorporateSecretary@ussilica.com>
Cc: Maureen O'Brien (mobrien@segalmarco.com) <mobrien@segalmarco.com>
Subject: City of Philadelphia-US Silica
Importance: High

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Evening,

Please see attached shareholder proposal on behalf of the City of Philadelphia Board of Pensions and Retirement
Our custodial verification will be sent separately.

If you have any questions, please do not hesitate to contact me.

Kristyn Bair
Investment Officer II
City of Philadelphia Board of Pensions and Retirement
Two Penn Center Plaza, 17th Floor
1500 John F. Kennedy Blvd.
Philadelphia, PA 19102
(p) 215-685-3477 | Kristyn.Bair@phila.gov

From: O'Brien, Maureen <mobrien@segalmarco.com>
Sent: Wednesday, December 9, 2020 4:22 PM
To: CorporateSecretary
Subject: Automatic reply: City of Philadelphia-US Silica

CAUTION: This email originated from outside of U.S. Silica. Do not click links or open attachments unless you recognize the sender and know the content is safe.

I am out of the office and will respond to your email when I return to the office on December 10th.

THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE ADDRESSEE. IT MAY CONTAIN PRIVILEGED OR CONFIDENTIAL INFORMATION THAT IS EXEMPT FROM DISCLOSURE. Dissemination, distribution or copying of this message by anyone other than the addressee is strictly prohibited. If you received this message in error, please notify us immediately by replying: "Received in error" and delete the message. Thank you.

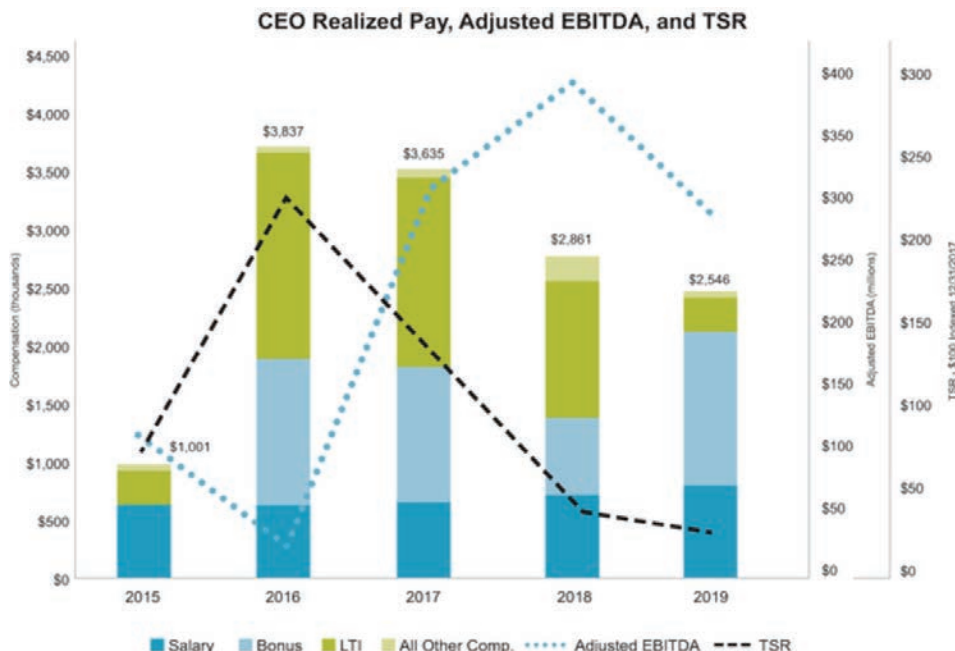
EXHIBIT B

TABLE OF CONTENTS

COMPENSATION DISCUSSION AND ANALYSIS

For the years 2015-2019, our CEO’s realized pay was 19.1%, 49.4%, 77.0%, 68.8% and 40.9% of his reported pay, respectively. Mr. Shinn did not exercise any stock options during the five-year period, so options are not addressed in the chart above. Mr. Shinn’s realized compensation has been far below his reported pay in each of 2018 and 2019 due to the Company’s negative TSR, which has resulted in below target, or in the case of 2019, zero payout of his performance share units (“PSUs”) which utilized TSR as a performance metric.

The following chart compares the realized pay of our CEO for the years 2015-2019 to both our TSR and Adjusted EBITDA over the same period. This graph demonstrates that our CEO’s realized pay generally correlates to our TSR over that period, and that the trend in our stock price has generally been disconnected from strong results of operations.



The Elements & Application of Our Executive Compensation Program

The Compensation Committee sets each of the elements of our executive compensation program and the total compensation targets for each of our NEOs in order to achieve an appropriate balance for the benefit of our strategy, our stockholders and our retention objectives. As a result, the Compensation Committee generally reviews and evaluates each executive’s total compensation as a whole, and may determine to increase or decrease the level of compensation provided by one component based on the level of compensation provided by another component. In establishing compensation levels and assessing each NEO’s performance, the Compensation Committee may take into account, in its discretion, the objectives identified by each NEO at the beginning of the year, the CEO’s assessment of each NEO (other than himself) against those objectives after the end of the year, and the CEO’s pay recommendations for each such NEO in light of such assessment. This measured approach is designed so that each NEO’s total compensation reflects prevailing market practices and Company and individual circumstances.

Base Salary

The base salaries for our NEOs are established in large part based on the salaries for persons holding similar positions within the 2019 proxy peer group and the Compensation Committee’s review of other factors, including: (i) each individual’s performance, results, qualifications and tenure; (ii) the job’s responsibilities, pay mix (incentives and other executive benefits and similar companies’ compensation practices; and (iii) our ability to replace the individual with another qualified candidate. Base salaries are reviewed and benchmarked against the relevant proxy peer group annually, as well as at the time of a promotion or other change in level of responsibilities, or when competitive circumstances or business needs may require. The Compensation Committee generally views the purpose of base salary as recognizing the experience, skills, knowledge and responsibilities of our named executive officers and retaining our high-performing executives. Mr. Ussery joined the Company in early 2019 as the



TABLE OF CONTENTS**COMPENSATION DISCUSSION AND ANALYSIS****ABIP Component Calculation – Company Performance**

The Company Performance Component is based on Adjusted EBITDA for the year ended December 31, 2019. We define “Adjusted EBITDA” as our consolidated earnings before interest, taxes, depreciation and amortization, as audited, as adjusted by the Compensation Committee to take into consideration the following: (i) restructurings, discontinued operations, extraordinary items or events (including acquisitions and divestitures and related expenses), and other unusual or non-recurring charges, (ii) an event either not directly related to our operations or not within the reasonable control of our management, (iii) losses incurred as a result of any goodwill impairment, (iv) a change in tax law or accounting standards required by

GAAP, and (v) other adjustments permitted under our credit agreement. Our Compensation Committee selected Adjusted EBITDA because it is a key metric used by management, the Board and our investors to assess our operating performance, and because it is an objective metric that can be consistently measured and applied. Adjusted EBITDA is a non-GAAP measure. We provide a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure in *How We Evaluate Our Business* in the *Management’s Discussion and Analysis of Financial Condition and Results of Operations* section of our 2019 Annual Report on Form 10-K. The Company Performance Component funded the 2019 ABIP as follows:

2019 Results (Adjusted EBITDA)

Less than 80% of Adjusted EBITDA Target
80% of Adjusted EBITDA Target
100% of Adjusted EBITDA Target
110% of Adjusted EBITDA Target
120% of Adjusted EBITDA Target

Percentage of Company Performance Component Target Paid⁽¹⁾

0%
50% Minimum threshold for any payout
100% Target
150%
200% Maximum

(1) There is a linear progression between the targets.

ABIP Component Calculation – Business Unit Performance

The Business Unit Performance Component is based on the relevant business unit’s contribution margin for the year ended December 31, 2019. “Business unit contribution margin,” a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Business unit contribution margin is the given business unit’s contribution to the company’s financials less certain corporate costs not directly related to the operations of the segment such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources. Our Compensation Committee selected business unit contribution margin because it is a key metric used by management, the Board and our investors to assess our operating performance, and because it is an objective metric that can be consistently measured and applied. Business unit contribution margin is a non-GAAP measure. All of our officers used our ISP segment for the Business Unit Performance Component except for Derek Ussery, who used the O&G segment. Prior to his appointment as President of our Oil and Gas Proppants business line in November 2019, Mr. Ussery was the chief operating officer of our SandBox business line. In connection with Mr. Ussery’s promotion, the Compensation Committee adjusted Mr. Ussery’s 2019 goal such that 60% of his ABIP award would be tied to the business unit contribution margin of the entire O&G segment rather than only the SandBox business line. We provide a reconciliation of this measure to the most directly comparable GAAP financial measure in *How We Evaluate Our Business* in the *Management’s Discussion and Analysis of Financial Condition and Results of Operations* section of our 2019 annual report on Form 10-K (in which this metric is referred to as “segment contribution margin” rather than “business unit contribution margin”). The Business Unit Performance Component was incorporated into the 2019 ABIP as follows:

2019 Results (Business Unit Contribution Margin)

Less than 80% of BU Contribution Margin Target
80% of BU Contribution Margin Target
100% of BU Contribution Margin Target
110% of BU Contribution Margin Target
120% of BU Contribution Margin Target

Percentage of BU Contribution Margin Component Target Paid⁽¹⁾

0%
50% Minimum threshold
100% Target
150%
200% Maximum

(1) There is a linear progression between the targets.



TABLE OF CONTENTS**COMPENSATION DISCUSSION AND ANALYSIS****ABIP Component Calculation – Personal Performance**

The Personal Performance Component for each NEO is based on the following operational and performance objectives, in each case customized and established by the Compensation Committee for the applicable NEO based on his or her job responsibilities and other relevant factors:

- continued cash management and cost reduction in an uncertain market environment;
- improving the accounting and financial structure while ensuring continued effective internal control over financial reporting;
- meeting environmental, health and safety performance goals;
- delivering budgeted savings under our cost improvement program;
- developing a flexible capital expenditure budget to meet changing market conditions;

- leading technology growth initiatives;
- improving the O&G segment market share;
- developing a growth strategy for the ISP segment;
- expanding product offerings to further differentiate our business model; and
- continued enhancement of relationships with key customers.

As with the Company Performance Component and the Business Unit Performance Component, each NEO's Personal Performance Component contribution to his ABIP payout is capped at 200% of the Personal Performance Component target.

ABIP Calculation – Combining the ABIP Components and Determining 2019 ABIP Payouts.

When determining each NEO's 2019 ABIP payout, the Compensation Committee evaluated each of the following financial achievements in the context of pre-determined minimum target and maximum goals: (i) the Company's Adjusted EBITDA of \$286.3 million; (ii) the contribution margin for the O&G segment, comprised of the SandBox and Oil & Gas Proppants business lines, of \$248.6 million; (iii) the contribution margin for the ISP segment, comprised of the Specialty Minerals and Performance Materials business lines, of \$178.2 million. In establishing the goals for each of these financial measures, the Compensation Committee set minimum thresholds, targets and maximum payouts with an expectation to pay out at target. In making these determinations, the Compensation Committee considered the Company's performance with respect to these metrics in recent periods; recent and known upcoming trends in the Company's business that could affect its performance, including any planned business acquisitions or other extraordinary transactions; and industry and market trends that could impact these metrics. As part of this review of extraordinary transactions, the Compensation Committee determined that it was appropriate to reduce the Company's Adjusted EBITDA by \$12.9 million for the purpose of calculating ABIP payouts, as the Compensation Committee determined that the NEOs should only receive partial credit for shortfall penalties assessed to multiple customers according to contract terms which were realized in 2019.

For the purposes of the individual performance component, the Compensation Committee considered:

- the Committee's and Board's assessment of each NEOs performance;
- the CEO's assessment of the other NEO's performances;
- the relative compensation and organizational roles and responsibilities of each NEO; and
- the following Company, business unit and personal performance outcomes in 2019:
 - our financial achievements in a difficult operating environment;
 - our achievement of becoming the leading company in market share of oil and gas proppant volumes in the fourth quarter of 2019;
 - the introduction of new and higher margin products in the ISP segment;
 - our 5% growth in proppant logistics market share year-over-year;
 - frac sand pricing decline in the latter half of 2019;
 - our realized savings through cost reduction projects across the organization in 2019;
 - the development of new applications for our SandBox technologies;

TABLE OF CONTENTS**COMPENSATION DISCUSSION AND ANALYSIS**

- the successful audit of our financial statements and internal control over financial reporting in which no material weaknesses were identified; and
- the Company's record-breaking low recordable injury rate, including a 40% decrease from 2018, resulting in the best safety year ever for the Company.

Based on the foregoing factors, the Compensation Committee determined that the following payouts should be made to the NEOs under the 2019 ABIP:

Name	Target ABIP (\$)	Performance by Component					Total Payout	
		Corporate	ISP	O&G	Individual	% of Target	Payout (\$)	
Bryan A. Shinn	\$ 1,000,000	167%	93%	N/A	100.0%	138.7%	\$ 1,387,461	
Donald A. Merrill	\$ 375,000	167%	93%	N/A	100.0%	138.7%	\$ 520,298	
Bradford B. Casper	\$ 450,000	167%	93%	N/A	125.0%	143.7%	\$ 646,857	
Michael L. Winkler	\$ 450,000	167%	93%	N/A	100.0%	138.7%	\$ 624,357	
J. Derek Ussery	\$ 160,822(1)	167%	N/A	200%	154.0%	184.2%	\$ 296,282	

(1) Represents a weighted average of his ABIP targets in 2019 before and after his promotion to be an executive officer of the Company.

Equity-Based Incentives.

The Compensation Committee views the primary purpose of equity-based awards as aligning the long-term interests of our executives and our stockholders by incentivizing achievement of long-term performance goals. In addition, equity-based compensation is intended to retain our executives through extended vesting schedules and performance periods. For the most recent PSU cycles, beginning with the 2016-2018 cycle, the performance measure for awards of PSUs has been relative TSR over three years. In January 2019, the Compensation Committee decided to diversify the metrics for the PSU vesting to include a new metric called Adjusted Cash Flow, a non-gaap measure, due to our strategic focus on generating cash.

For 2019, each of our NEOs received equity awards consisting of the following performance-based component and service-based component:

- 15% of the target total award value was in the form of PSUs using TSR as compared to the TSR of the companies in the PSU peer group below (the "TSR Peer Group") over the same performance period as the performance metric (the "TSR PSUs");
- 40% of the target total award value was in the form of PSUs using Adjusted Cash Flow as the performance metric (the "Cash Flow PSUs"); and
- 45% of the target total award value was in the form of restricted stock units ("RSUs") that vest ratably over three years, subject to continued service for us on each vesting date but without regard to any performance criteria (although the value realized on vesting depends on the share price on the vesting dates).

With respect to the TSR PSUs, the number of PSUs earned by the NEOs will be based on our TSR, calculated as described below, over the period from January 1, 2019 through December 31, 2021, expressed as a percentage ranking as compared to the TSR for the same performance period of each of the companies in the TSR Peer Group listed below (our "TSR Ranking"), in accordance with the following schedule:

TSR Ranking January 1, 2019 through December 21, 2021	Number of PSU's Vested as Percentage of Target
Below 30th Percentile	0%
30th Percentile	50% (Threshold)
50th Percentile	100%
75th Percentile	150%
Equal to or Greater than 90th Percentile	200% (Maximum)



TABLE OF CONTENTS**COMPENSATION DISCUSSION AND ANALYSIS**

No PSUs will be earned if the threshold goal is not met. To the extent that the actual TSR Ranking for the performance period is between goals, the number of PSUs to vest will be determined on a pro rata basis using straight line interpolation.

For purposes of the TSR PSUs, the term “TSR” shall mean total stockholder return for a company, expressed as a percentage, determined by dividing (i) an amount equal to the sum of (x) the difference between the Beginning Stock Price and the Ending Stock Price and (y) the sum of all dividends paid on one share of such company’s stock during the performance period, provided that dividends shall be treated as reinvested

The Compensation Committee selected the companies in the TSR Peer Group in conjunction with Exequity by analyzing companies in the Russell 3000 who had similar historical performance results to U.S. Silica over the five years preceding October 2018. The Compensation Committee believes that this array of companies reflects an appropriate benchmark for Company TSR performance, while the Proxy Peer Group reflects competitors for executive talent among companies in similar industries and of similar size and scope of operations. The TSR peer group includes the following companies:

Abraxas Petroleum Corporation

Apache Corporation

C&J Energy Services, Inc.*

Callon Petroleum Company

CARBO Ceramics Inc.

Carrizo Oil & Gas, Inc.

Continental Resources, Inc.

Covia Holdings Corporation

Devon Energy Corporation

Diamondback Energy, Inc.

Ensco plc

Extraction Oil & Gas, Inc.

Forum Energy Technologies, Inc.

Helix Energy Solutions Group, Inc.

Helmerich & Payne, Inc.

Keane Group, Inc.*

Laredo Petroleum, Inc.

Mammoth Energy Services, Inc.*

Marathon Oil Corporation

Matador Resources Company

Murphy Oil Corporation

Nabors Industries Ltd.

on the ex-dividend date at the closing price on that date, by (ii) the Beginning Stock Price, as calculated in good faith by the Compensation Committee. “Beginning Stock Price” for a company shall mean the average closing price on the applicable stock exchange of one share of the company’s stock for the 60 days immediately prior to the first day of the performance period. “Ending Stock Price” for a company shall mean the average closing price on the applicable stock exchange of one share of the company’s stock for the 60 days immediately prior to the last day of the performance period.

Newfield Exploration Company

Newpark Resources, Inc.

Noble Corporation plc

Oasis Petroleum Inc.

Oil States International, Inc.

Parsley Energy, Inc.

Patterson-UTI Energy, Inc.*

PDC Energy, Inc.

ProPetro Holding Corp.*

QEP Resources, Inc.

Rowan Companies plc

RPC, Inc.

Select Energy Services, Inc.*

SM Energy Company

Smart Sand, Inc.

Superior Energy Services, Inc.*

TETRA Technologies, Inc.

Transocean Ltd.

Unit Corporation

Whiting Petroleum Corporation

WPX Energy, Inc.

For purposes of the Cash Flow PSUs, “Adjusted Cash Flow” is calculated by subtracting capital expenditures, working capital, and other cash related items from Adjusted EBITDA. The absolute target for the Cash Flow PSUs will be selected each year based on our forecast for cash generation in February of that year through December 31. Performance relative to that target amount will be evaluated at the end of each respective year, and after December 31, 2021 the Cash Flow PSUs earned relative to target will be based on the average of the three annual performance results relative to their respective targets.

The Compensation Committee believes our long-term incentive program aligns the interests of our NEOs with our stockholders, provides our NEOs with incentives linked to long-term performance and creates an ownership culture. Additionally, the vesting feature of our long-term incentive program contributes to executive retention because this feature provides an incentive to our NEOs to remain in our employ during the vesting period.

In determining the mix of equity awards and the individual target award opportunities under the long-term incentive program, the Board and the Compensation Committee

The Costs of Conducting Our Business

The principal expenses involved in conducting our business are transportation costs, labor costs, electricity and drying fuel costs, and maintenance and repair costs for our mining and processing equipment and facilities. Transportation and related costs include freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs, storage fees and labor costs. We believe the majority of our operating costs are relatively stable in price, but they can vary significantly based on the volume of product produced. We benefit from owning the majority of the mineral deposits that we mine and having long-term mineral rights leases or supply agreements for our other primary sources of raw material, which limits royalty payments.

Additionally, we incur expenses related to our corporate operations, including costs for sales and marketing; research and development; and the finance, legal, environmental, health and safety functions of our organization. These costs are principally driven by personnel expenses.

How We Evaluate Our Business

Our management team evaluates our business using a variety of financial and operating metrics. We evaluate the performance of our two segments based on their tons sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of our business as a whole, including total tons sold, average selling price, total segment contribution margin, and Adjusted EBITDA. We view these metrics as important factors in evaluating our profitability and review these measurements frequently to analyze trends and make decisions, and we believe the presentation of these metrics provides useful information to our investors regarding our financial condition and results of operations for the same reasons.

Segment Contribution Margin

Segment contribution margin, a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Segment contribution margin excludes costs such as selling, general, and administrative costs, corporate costs, plant capacity expansion expenses, and facility closure costs.

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered an alternative measure or superior to measures derived in accordance with GAAP. Our measure of segment contribution margin is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. For more information about segment contribution margin, including a reconciliation of this measure to its most directly comparable GAAP financial measure, net income (loss), see Note W - Segment Reporting to our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP measure, is included in this report because it is a key metric used by management to assess our operating performance and by our lenders to evaluate our covenant compliance. Adjusted EBITDA excludes certain income and/or costs, the removal of which improves comparability of operating results across reporting periods. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA.

Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative or superior to net income (loss) as a measure of operating performance, cash flows from operating activities as a measure of liquidity or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and excludes certain charges that may recur in the future. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

The following table sets forth a reconciliation of net (loss) income, the most directly comparable GAAP financial measure, to Adjusted EBITDA.

(amounts in thousands)

	Year ended December 31,		
	2019	2018	2017
Net (loss) income attributable to U.S. Silica Holdings, Inc.	\$(329,082)	\$(200,808)	\$145,206
Total interest expense, net of interest income	92,063	64,689	25,871
Provision for taxes	(99,151)	(29,132)	(8,680)
Total depreciation, depletion and amortization expenses	<u>179,444</u>	<u>148,832</u>	<u>97,233</u>
EBITDA	(156,726)	(16,419)	259,630
Non-cash incentive compensation ⁽¹⁾	15,906	22,337	25,050
Post-employment expenses (excluding service costs) ⁽²⁾	1,735	2,206	1,231
Merger and acquisition related expenses ⁽³⁾	32,021	34,098	9,010
Plant capacity expansion expenses ⁽⁴⁾	17,576	59,112	5,667
Contract termination expenses ⁽⁵⁾	1,882	2,491	325
Goodwill and other asset impairments ⁽⁶⁾	363,847	281,899	—
Business optimization projects ⁽⁷⁾	55	1,980	—
Facility closure costs ⁽⁸⁾	12,718	529	—
Gain on valuation change of royalty note payable ⁽⁹⁾	(16,854)	—	—
Other adjustments allowable under the Credit Agreement ⁽¹⁰⁾	<u>14,165</u>	<u>4,290</u>	<u>6,790</u>
Adjusted EBITDA	<u>\$ 286,325</u>	<u>\$ 392,523</u>	<u>\$307,703</u>

(1) Reflects equity-based, non-cash compensation expense.

(2) Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period. Non-service net periodic benefit costs are not considered reflective of our operating performance because these costs do not exclusively originate from employee services during the applicable period and may experience periodic fluctuations as a result of changes in non-operating factors, including changes in discount rates, changes in expected returns on benefit plan assets, and other demographic actuarial assumptions. See Note R - Pension and Post-Retirement Benefits to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for more information.

(3) Merger and acquisition related expenses include legal fees, consulting fees, bank fees, severance costs, purchase-related costs such as the amortization of inventory fair value step-up, information technology integration costs and similar charges. While these costs are not operational in nature and are not expected to continue for any singular transaction on an ongoing basis, similar types of costs, expenses and charges have occurred in prior periods and may recur in the future as we continue to integrate prior acquisitions and pursue any future acquisitions.

(4) Plant capacity expansion expenses include expenses that are not inventoriable or capitalizable as related to plant expansion projects greater than \$5 million in capital expenditures or plant start up projects. While these expenses are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future.

(5) Reflects contract termination expenses related to strategically exiting service contracts. While these expenses are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future as we continue to strategically evaluate our contracts.

(6) See Footnote Z - Impairments for additional information. While these expenses are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future.

(7) Reflects costs incurred related to business optimization projects mainly within our corporate center, which aim to measure and improve the efficiency, productivity and performance of our organization. While these costs are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses may recur in the future.

(8) Reflects costs incurred mainly related to idled sand facilities and closed corporate offices, including severance costs and remaining contracted costs such as office lease costs, and common area maintenance fees. While these costs are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses may recur in the future.

(9) Gains on valuation change of royalty note payable due to a change in estimate of future tonnages and sales related to the sand shipped from our Tyler, Texas facility. These gains are not operational in nature and are not expected to continue for any singular event on an ongoing basis.

(10) Reflects miscellaneous adjustments permitted under the Credit Agreement. For 2019, includes \$6.2 million of loss contingencies reserve as well as restructuring costs for actions that will provide future savings, storm damage costs, recruiting fees, relocation costs and a loss on sale of assets, partially offset by insurance proceeds of \$2.2 million. For 2018, includes storm damage costs, recruiting fees, relocation costs, and a net loss of \$0.7 million on divestitures of assets, consisting of \$5.2 million of contract termination costs and

\$1.3 million of divestiture related expenses such as legal fees and consulting fees, partially offset by a \$5.8 million gain on sale of assets. For 2017, includes a contract restructuring cost of \$6.3 million. While these gains and costs are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of gains and expenses have occurred in prior periods and may recur in the future.

Adjusted EBITDA-Trailing Twelve Months

Our revolving credit facility (the “Revolver”) contains a consolidated total net leverage ratio of no more than 3.75:1.00 that, unless we have the consent of our lenders, we must meet as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 30% of the Revolver commitment. This ratio is calculated based on our Adjusted EBITDA for the trailing twelve months. Noncompliance with this financial ratio covenant could result in the acceleration of our obligations to repay all amounts outstanding under the Revolver and the term loan (the “Term Loan”) (collectively the “Credit Facility”). Moreover, the Revolver and the Term Loan contain covenants that restrict, subject to certain exceptions, our ability to make permitted acquisitions, incur additional indebtedness, make restricted payments (including dividends) and retain excess cash flow based, in some cases, on our ability to meet leverage ratios calculated based on our Adjusted EBITDA for the trailing twelve months.

See the description under “Adjusted EBITDA” above for certain important information about Adjusted EBITDA-trailing twelve months, including certain limitations and management’s use of this metric in light of its status as a non-GAAP measure.

As of December 31, 2019, we are in compliance with all covenants under our Credit Facility, and our Revolver usage was zero (other than certain undrawn letters of credit). Since the Revolver usage did not exceed 30% of the Revolver commitment, the consolidated leverage ratio covenant did not apply. Based on our consolidated leverage ratio of 4.30:1.00 as of December 31, 2019, we may draw up to \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver. The calculation of the consolidated leverage ratio incorporates the Adjusted EBITDA-trailing twelve months as follows:

	December 31, 2019
<i>(All amounts in thousands)</i>	
Total debt	\$1,232,378
Finance leases	70
Total consolidated debt	<u>\$1,232,448</u>
Adjusted EBITDA-trailing twelve months	\$ 286,325
Pro forma Adjusted EBITDA including impact of acquisitions ⁽¹⁾	—
Other adjustments for covenant calculation ⁽²⁾	<u>252</u>
Total Adjusted EBITDA-trailing twelve months for covenant calculation	<u>\$ 286,577</u>
Consolidated leverage ratio ⁽³⁾	4.30

(1) Covenant calculation allows for the Adjusted EBITDA-trailing twelve months to include the impact of acquisitions on a pro forma basis.

(2) Covenant calculation excludes activity at legal entities above the operating company, which is mainly interest income offset by public company operating expenses.

(3) Calculated by dividing Total consolidated debt by Total Adjusted EBITDA-trailing twelve months for covenant calculation.

EXHIBIT C

OUR PERFORMANCE

Heading into 2018, we expected ongoing volatility in the oil and gas markets but that they would continue their recovery from the 2014 – 2016 downturn. Accordingly, we anticipated there would be an increasing market demand for frac sand products and logistics services, which would benefit our Oil & Gas Proppants (“O&G”) segment. We also expected to grow our industrial business organically and through our recently acquired companies. As a result, in February 2018, the Compensation Committee changed the criteria under the Performance-Based Cash Incentives: Annual Bonus Incentive Plan (“ABIP”) program from an Adjusted EBITDA target tied to the average spot price for West Texas Intermediate (“WTI”) crude oil (as used for the purposes of ABIP in 2016) back to an absolute Adjusted EBITDA metric (as had been in place prior to 2016), and also adopted business and personal objectives focused on benchmarking against a stated peer group category, conserving cash, gaining market share in our O&G segment and improving contribution margin in our Industrial & Specialty Products (“ISP”) segment, as discussed in more detail below in *The Elements and Application of Our Executive Compensation Program—Performance-Based Cash Incentives*.

The oil and gas markets began 2018 as we expected, continuing the recovery that started in 2017. While volumes and pricing were strong in the first half of the year, we began to see pressure on Northern White sand volumes and pricing as more local in-basin sand started to come online, especially in the Permian Basin in the latter part of the year. Moreover, we saw a slowing of completion activity in the back half of 2018 as exploration and production budgets became exhausted, putting downward pressure on both frac sand demand and pricing. In 2018,

- spot prices for WTI crude oil averaged \$65.23 per barrel in 2018, compared to an average price per barrel of \$50.80 in 2017;
- the number of land rigs operating in oil and gas basins in the United States increased by about 17% at the end of 2018, compared to the same period in 2017;
- frac sand pricing gradually increased during the first half of 2018, but declined in the latter half of 2018; and
- more oil and gas customers entered into long-term contracts in 2018 than in 2017.

As a result, in 2018:

- revenue increased by 27%, as compared to 2017; and
- contribution margin was \$512.9 million, compared to \$390.8 million in 2017.

We were able to accomplish the following during the year:

- achieved Adjusted EBITDA, as defined in our ABIP, of \$392.5 million, which was an increase of 27.5% compared to 2017 but which was below our \$465.0 million Adjusted EBITDA target under the ABIP as a result of the declining oil and gas markets in the second half of 2018;
- increased the tons of sand sold by the O&G segment to 14.2 million tons in 2018, compared to 11.6 million sold in 2017;
- increased contribution margin in our ISP segment by approximately 75% as compared to 2017 through the introduction of new, higher margin products and the EP Minerals acquisition;
- acquired EP Minerals, a global producer of engineered materials derived from industrial minerals including diatomaceous earth (DE), clay (calcium bentonite) and perlite, which enhanced our ISP product portfolio; and
- continued to manage cash prudently, resulting in cash on hand of \$202.5 million as of December 31, 2018, even after returning \$168.3 million to our investors through share repurchases and dividends.

As the oil and gas markets deteriorated in the second half of 2018, we successfully executed our strategies to mitigate the impact on our O&G segment, achieving a 17% increase in tons sold in the fourth quarter of 2018 as compared to the fourth quarter of 2017, albeit it at a lower level of contribution margin.

Adjusted EBITDA and segment contribution margin are non-GAAP measures. We use Adjusted EBITDA and segment contribution margin as metrics in our cash annual bonus incentive plan as discussed below in *The Elements and Application of Our Executive Compensation Program—Performance-Based Cash Incentives*. We provide a reconciliation of these metrics to the most directly comparable financial measures under generally accepted accounting principles in the United States (“GAAP”) in *How We Evaluate Our Business* in the *Management’s Discussion and Analysis of Financial Condition and Results of Operations* section of our 2018 annual report on Form 10-K.

COMPENSATION DISCUSSION AND ANALYSIS

The following table details base salary increases for 2018, as established by the Compensation Committee in February 2017:

Officer	2018 Base Salary Increases			Rationale
	2017	2018	% Increase	
Bryan A. Shinn	\$ 675,000	\$ 750,000	+11.1%	Competitive market adjustment and annual merit/performance review process
Donald A. Merrill	\$ 362,150	\$ 386,600	+6.8%	
Bradford B. Casper	\$ 400,000	\$ 428,800	+7.2%	
Michael L. Winkler	\$ 415,000	\$ 447,200	+7.8%	
Billy Ray Smith	\$ 270,000	\$ 300,000	+11.1%	

Performance-Based Cash Incentives. Employees, including NEOs, are eligible for performance-based cash incentives under the ABIP to facilitate alignment of compensation with achievement of short-term performance goals. ABIP awards are based on achieving pre-established goals in each of the following performance components: (i) **Company performance**; (ii) **relevant segment performance** (referred to as “business unit performance” for purposes of the ABIP); and (iii) **personal performance**. Each of the performance components is independent of the

others and is eligible for payout even if other performance component goals are not achieved; however, in no event would any payout exceed 200% of an employee’s overall 2018 ABIP target. The Compensation Committee believes that having an “at-risk” element gives employees a financial stake in achieving our business objectives and motivates them to use their best efforts to realize our business goals. The tables below summarize the ABIP goals and components.

The following table shows each NEO’s performance-based cash incentive minimum, threshold, target and maximum payouts under the ABIP as of December 31, 2018, which were established by the Compensation Committee in February 2018:

Name	Range of 2018 ABIP Payout Opportunity			
	Minimum	Threshold	Target	Maximum
Bryan A. Shinn	\$ 0	\$ 375,000	\$ 750,000	\$ 1,500,000
Donald A. Merrill	\$ 0	\$ 147,250	\$ 294,500	\$ 589,000
Bradford B. Casper	\$ 0	\$ 214,400	\$ 428,800	\$ 857,600
Michael L. Winkler	\$ 0	\$ 222,100	\$ 444,200	\$ 888,400
Billy Ray Smith	\$ 0	\$ 112,500	\$ 225,000	\$ 450,000

The following table shows, for each NEO, the weighted value of each of the three ABIP components:

	% Weighting of 2018 ABIP Performance Components			
	Company	Individual	ISP	O&G
Bryan A. Shinn	60%	20%	20%	—
Michael L. Winkler	60%	20%	20%	—
Bradford B. Casper	60%	20%	20%	—
Donald A. Merrill	60%	20%	20%	—
Billy Ray Smith	20%	20%	—	60%

ABIP Component Calculation – the Company Performance Component is based on Adjusted EBITDA for the year ended December 31, 2018. We define “Adjusted EBITDA” as our consolidated earnings before interest, taxes, depreciation and amortization, as audited, as adjusted by the Compensation Committee to take into consideration the following: (i) restructurings, discontinued operations, extraordinary items or events (including acquisitions and divestitures), and other unusual or non-recurring charges (including expenses incurred with acquisitions and divestitures), (ii) an event either not directly related to our operations or not within the reasonable control of our management, (iii) losses incurred as a result of any goodwill impairment, (iv) a change in tax law or

accounting standards required by GAAP, and (iv) other adjustments permitted under our credit agreement. Our Compensation Committee selected Adjusted EBITDA because it is a key metric used by management, the Board and our investors to assess our operating performance, and because it is an objective metric that can be consistently measured and applied. Adjusted EBITDA is a non-GAAP measure. We provide a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure in *How We Evaluate Our Business* in the *Management’s Discussion and Analysis of Financial Condition and Results of Operations* section of our 2018 annual report on Form 10-K. The Company Performance Component funded the 2018 ABIP as follows:

2018 Results (Adjusted EBITDA)	Percentage of Company Performance Component Target Paid ⁽¹⁾	
Less than 80% of Adjusted EBITDA Target	0%	
80% of Adjusted EBITDA Target	50%	Minimum threshold for any payout
100% of Adjusted EBITDA Target	100%	Target
110% of Adjusted EBITDA Target	150%	
120% of Adjusted EBITDA Target	200%	Maximum

(1) There is a linear progression between the targets.

ABIP Component Calculation – the Business Unit Performance Component is based on the relevant business unit’s contribution margin for the year ended December 31, 2018. “Business unit contribution margin,” a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Business unit contribution margin is the given business unit’s contribution to the company’s financials less certain corporate costs not directly related to the operations of the segment such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources. Our Compensation Committee selected business unit contribution margin because it is a key metric used by management, the Board and our investors to assess our operating performance, and because it is an objective metric that can be consistently measured and applied. Business unit contribution margin is a non-GAAP measure. We provide a reconciliation of this measure to the most directly comparable GAAP financial measure in *How We Evaluate Our Business in the Management’s Discussion and Analysis of Financial Condition and Results of Operations* section of our 2018 annual report on Form 10-K (in which this metric is referred to as “segment contribution margin” rather than “business unit contribution margin”). The Business Unit Performance Component funded the 2018 ABIP as follows:

2018 Results (Business Unit Contribution Margin)	Percentage of BU Contribution Margin Component Target Paid ⁽¹⁾	
Less than 80% of BU Contribution Margin Target	0%	
80% of BU Contribution Margin Target	50%	Minimum threshold
100% of BU Contribution Margin Target	100%	Target
110% of BU Contribution Margin Target	150%	
120% of BU Contribution Margin Target	200%	Maximum

(1) There is a linear progression between the targets.

COMPENSATION DISCUSSION AND ANALYSIS

ABIP Component Calculation – the Personal Performance

Component for each NEO is based on the following operational and performance objectives, in each case customized and established by the Compensation Committee for the applicable NEO based on his or her job responsibilities and other relevant factors:

- continued cash management and cost reduction in an uncertain market environment;
- improving the accounting and financial structure while ensuring continued effective internal control over financial reporting;
- meeting environmental, health and safety performance goals;
- delivering budgeted savings under our cost improvement program;
- developing a flexible capital expenditure budget to meet changing market conditions;

- leading acquisition and existing business growth initiatives;
- improving the O&G segment market share;
- developing a growth strategy for the ISP segment;
- expanding product offerings to further differentiate our business model; and
- continued enhancement of relationships with key customers.

As with the Company Performance Component and the Business Unit Performance Component, each NEO's Personal Performance Component contribution to his ABIP payout is capped at 200% of the Personal Performance Component target.

ABIP Calculation – Combining the ABIP Components and Determining 2018 ABIP Payouts. When determining each NEO's 2018 ABIP payout, the Compensation Committee evaluated each of the following financial achievements in the context of pre-determined minimum target and maximum goals: (i) the Company's Adjusted EBITDA of \$392.5 million; (ii) the business unit contribution margin for the O&G segment, comprised of the Proppants and Sand Box business units, of \$357.8 million; (iii) the contribution margin for the ISP segment, comprised of the Specialty Minerals and Performance Materials business units, of \$155.1 million. In establishing the goals for each of these financial measures, the Compensation Committee set minimum thresholds, targets and maximum payouts with an expectation to pay out at target. In making these determinations, the Compensation Committee considered the Company's performance with respect to these metrics in recent periods; recent and known upcoming trends in the Company's business that could affect its performance, including any planned business acquisitions or other extraordinary transactions; and industry and market trends that could impact these metrics.

For the purposes of the individual performance component, the Compensation Committee considered:

- the Committee's and Board's assessment of each NEOs performance;
- the relative compensation and organizational roles and responsibilities of each NEO;
- the benchmarking data discussed above in *Benchmarking Against Our Peers*;
- the CEO's proposed 2018 ABIP payouts for the other NEOs;
- the CEO's assessment of the other NEO's performances; and
- the following Company, business unit and personal performance achievements in 2018:
 - ▶ the Company's financial achievements in a difficult operating environment;
 - ▶ the mid-year acquisition of EP Minerals and subsequent business unit reorganization;
 - ▶ executed operating playbook to realize \$357.8.0 million of contribution margin in 2018 for the O&G segment in challenging market conditions due to oil and natural gas pricing;

- ▶ introduction of new and higher margin products in the ISP segment;
- ▶ executed on the budgeted capital expenditure plan and cost reduction projects;
- ▶ frac sand pricing decline in the later half of 2018;
- ▶ realized savings across the supply chain;
- ▶ developed an acquisition pipeline for the ISP business to enable the continuous evaluation of strategic transactions;
- ▶ continued to develop relationships with senior executives at key customers;
- ▶ ensured a successful audit of our financial statements and internal control over financial reporting in which no material weaknesses were identified; and
- ▶ continued to implement improved safety standards and tracking at each facility.

Based on the foregoing factors, the Compensation Committee determined that the following payouts should be made to the NEOs under the 2018 ABIP:

Name	Target ABIP (\$)	Performance by Component					% of Target	Total Payout Payout (\$)
		Corporate	ISP	O&G	Individual			
Bryan A. Shinn	\$ 750,000	61%	108%	N/A	175.0%	93.2%	\$ 699,000	
Donald A. Merrill	\$ 294,500	61%	108%	N/A	150.0%	88.2%	\$ 259,700	
Bradford B. Casper	\$ 428,800	61%	108%	N/A	200.0%	98.2%	\$ 421,100	
Michael L. Winkler	\$ 444,200	61%	108%	N/A	100.0%	78.2%	\$ 347,400	
Billy Ray Smith	\$ 225,000	61%	N/A	0%	100.0%	32.2%	\$ 72,450	

Equity-Based Incentives. The Compensation Committee views the primary purpose of equity-based awards as aligning the long-term interests of our executives and our stockholders by incentivizing achievement of long-term performance goals. In addition, equity-based compensation is intended to retain our executives through extended vesting schedules and performance periods. At the end of 2015 and in the first quarter of 2016, the Compensation Committee reviewed with Exequity the long-term incentive program for certain of our employees, including the NEOs, that had been developed in 2015. Based on this review, the Compensation Committee decided at the time (i) to remove stock options from the mix of equity awards granted under the program to better align with market practices, and (ii) to change the performance

measure for awards of PSUs from cumulative Adjusted EBITDA over three years to relative TSR over three years to diversify the performance metrics used in the overall executive compensation program.

For 2018, each of our NEOs received equity awards consisting of the following performance-based component and service-based component:

- 55% of the target total award value was in the form of performance share units (“PSUs”); and
- 45% of the target total award value was in the form of restricted stock units (“RSUs”) that vest ratably over three years, subject to continued service for us on each vesting date but without regard to any performance criteria.



[Table of Contents](#)

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

In this compensation discussion and analysis, we explain our general compensation philosophy for the executives named in the *Summary Compensation Table*, our named executive officers, as well as provide an overview and analysis of the different material elements of compensation that we provide our named executive officers. We have organized our discussion and analysis as follows:

- First, we provide a summary of our 2017 performance.
- Second, we discuss our compensation objectives, philosophy and practices.
- Third, we discuss our use of compensation consultants and our approach to benchmarking the compensation for each of the named executive officers.
- Finally, we describe each material element of compensation that we pay to our named executive officers, how we selected the various elements and amounts of compensation, and how decisions we make about one element of compensation fit into our overall compensation program and affect decisions regarding other elements of compensation.

Named Executive Officers

Our named executive officers for 2017 are as follows:

<u>Name</u>	<u>Title</u>
Bryan A. Shinn	President and Chief Executive Officer
Donald A. Merrill	Executive Vice President and Chief Financial Officer
Bradford B. Casper	Executive Vice President and Chief Commercial Officer
Michael L. Winkler	Executive Vice President and Chief Operating Officer
Don D. Weinheimer	Senior Vice President and President, Oil and Gas

U.S. Silica 2017 Performance

Heading into 2017, we expected the oil and gas markets to continue to be volatile, but to begin a recovery from the downturn that began at the end of 2014 which would positively affect demand for our frac sand products and the financial performance of our Oil & Gas Proppants segment. As a result, the Compensation Committee modified the criteria under the Performance-Based Cash Incentives: Annual Bonus Incentive Plan (“ABIP”) program from an Adjusted EBITDA target tied to the average spot price for West Texas Intermediate (“WTI”) crude oil (as used for the purposes of ABIP in 2016) back to an absolute Adjusted EBITDA metric (as had been in place prior to 2016), as well as business and personal objectives focused on benchmarking against a stated peer group category, conserving cash, gaining market share in our Oil & Gas Proppants segment and improving contribution margin in our Industrial & Specialty Products segment, as discussed in more detail below in *Performance-Based Cash Incentives*.

As expected, the oil and gas markets continued to be volatile, but slowly began to recover in 2017. In 2017,

- spot prices for WTI crude oil averaged \$50.88 per barrel, compared to an average price per barrel of \$42.81 in 2016;
- the number of land rigs operating in oil and gas basins in the United States increased by about 42% at the end of 2017, compared to the same period in 2016;
- frac sand pricing gradually increased throughout 2017; and
- more oil and gas customers entered into long-term contracts in 2017 than in 2016.

As a result, in 2017:

- revenue increased by 122%, as compared to 2016; and
- contribution margin was \$390.8 million, compared to \$90.4 million in 2016.

Table of Contents

We were able to accomplish the following during the year:

- achieved Adjusted EBITDA, as defined in our annual bonus incentive plan, of \$307.7 million, which was in excess of our Adjusted EBITDA target under the plan of \$132.0 million;
- increased the tons of sand sold by the Oil & Gas Proppants segment to 15.1 million tons in 2017, compared to 9.9 million sold in 2016;
- increased contribution margin in our Industrial & Specialty Products segment by approximately 12% as compared to 2016 through the introduction of new, higher margin products;
- acquired Mississippi Sand, which owned a regional sand mine and plant located in Festus, Missouri and transload locations in Benwood, West Virginia, and Seagraves, Texas; and
- continued to manage cash prudently, resulting in cash on hand of \$384.6 million as of December 31, 2017.

In addition, we continued to see improvement in the oil and gas markets towards the end of 2017, which had a positive effect on our Oil & Gas Proppants segment. For instance, in the fourth quarter of 2017 as compared to the third quarter of 2017:

- sales in the segment increased 7%; and
- tons of sand sold in the segment totaled 3.171 million tons, a slight increase from the 3.147 million tons sold in the third quarter of 2017.

Adjusted EBITDA and segment contribution margin are non-GAAP measures. We use Adjusted EBITDA and segment contribution margin as metrics in our cash annual bonus incentive plan as below in *Performance-Based Cash Incentives*. We provide a reconciliation to the most directly comparable GAAP financial measures in *How We Evaluate Our Business* in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section of our 2017 Annual Report on Form 10-K.

Consistent with the continued challenging market conditions that negatively impacted stock prices for a majority of companies in our industry and across the broad sector of companies whose financial results are significantly influenced by the oil and gas markets, our shareholders faced a negative total shareholder return (“TSR”) in 2017. However, unlike a significant majority of companies across the sector, our shareholders have realized substantial positive returns over the long term, including the 3-year and 5-year time periods ending on December 31, 2017. Specifically, the table below summarizes our TSR over three different time periods—all of which culminate with December 31, 2017—relative to the peer group against which we benchmarked our executive compensation:

Benchmark	1-Year TSR 12/31/2016— 12/31/2017	3-Year TSR 12/31/2014— 12/31/2017	5-Year TSR 12/31/2012— 12/31/2017
2017 Proxy Peer Group Median ⁽¹⁾	-14.9%	-24.4%	-11.0%
U.S. Silica Holdings, Inc.	-42.1%	+30.9%	+106.5%
<i>U.S. Silica Percentile Rank Relative to 2017 Proxy Peer Group Median</i>	<i>15th percentile</i>	<i>88th percentile</i>	<i>86th percentile</i>

(1) The companies included in the 2017 proxy peer group are listed below in *Benchmarking*. The data shown above excludes Clayton Williams Energy, Inc., because it merged with NBL Permian LLC in April 2017, and excludes Headwaters incorporated because it was acquired by Boral Industries, Inc., in May 2017. TSR data for Fairmount Santrol Holdings Inc. is excluded for only the 5-year TSR period because the company began trading publicly in October 2014.

Table of Contents

Company Performance Component

The Company Performance Component (Adjusted EBITDA for the year ended December 31, 2017) funded the 2017 ABIP as follows:

2017 Results (Adjusted EBITDA)	Percentage of Company Performance Component Target Paid ⁽¹⁾	
Less than 80% of Adjusted EBITDA	0%	
80% of Adjusted EBITDA		Minimum threshold for any payout
100% of Adjusted EBITDA	50%	
110% of Adjusted EBITDA	100%	Target
120% of Adjusted EBITDA	150%	
	200%	Maximum

(1) There will be a linear progression between the targets.

“Adjusted EBITDA” was defined as our consolidated earnings before interest, taxes, depreciation and amortization, as audited, as adjusted by the Compensation Committee to take into consideration the following: (i) restructurings, discontinued operations, extraordinary items or events (including acquisitions and divestitures), and other unusual or non-recurring charges (including expenses incurred with acquisitions and divestitures), (ii) an event either not directly related to our operations or not within the reasonable control of our management, (iii) losses incurred as a result of any goodwill impairment, or (iv) a change in tax law or accounting standards required by U.S. generally accepted accounting principles. Adjusted EBITDA was used because it is a key metric used by management and the Board to assess our operating performance. Adjusted EBITDA is a non-GAAP measure. We provide a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure in *How We Evaluate Our Business* in the *Management’s Discussion and Analysis of Financial Condition and Results of Operations* section of our 2017 Annual Report on Form 10-K.

Business Unit (ISP and Oil & Gas) Performance Component

The Business Unit Performance Component (Contribution Margin for the year ended December 31, 2017) would impact 2017 ABIP as follows:

2017 Results (Business Unit Contribution Margin)	Percentage of Target Paid	
Less than 80% of Contribution Margin target	0%	
80% of Contribution Margin target	50%	Minimum threshold
100% of Contribution Margin target	100%	Target
110% of Contribution Margin target	150%	
120% of Contribution Margin target	200%	Maximum

Personal Performance Component

The named executive officer’s personal performance capped at 200% of the personal performance target weighting, including the following operational and performance objectives:

- continued cash management and cost reduction in an uncertain market environment;
- improving the accounting and financial structure while ensuring continued effective internal control over financial reporting;

Table of Contents

- meeting environmental, health and safety performance goals;
- delivering budgeted savings under our cost improvement program;
- developing a flexible capital expenditure budget to meet changing market conditions;
- leading acquisition and existing business growth initiatives;
- improving the Oil & Gas Proppants segment market share;
- developing a growth strategy for the Industrial & Specialty Products segment;
- expanding product offerings to further differentiate our business model; and
- continued enhancement of relationships with key customers.

Determination of 2017 ABIP Payouts

At the Compensation Committee meeting in February 2018, the determination of the 2017 ABIP payouts to the named executive officers took into account the following material factors:

- Sales, as audited and determined in accordance with GAAP, for the year ended December 31, 2017 were \$1.241 billion, greater than the \$590 million of sales needed to trigger a payout under the 2017 ABIP.
- Adjusted EBITDA for the year ended December 31, 2017, excluding acquisitions that occurred during the year, as compared to threshold, target and maximum performance under the 2017 ABIP:

Adjusted EBITDA (in millions)				
Threshold (50% of target)	Target	Maximum (200% of target)	Actual	Payout Achieved
\$ 105.6	\$132.0	\$ 158.4	\$307.7	200%

For a calculation of 2017 Adjusted EBITDA, see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate Our Business* in our Annual Report on Form 10-K for the year ended December 31, 2017.

Contribution Margin for the ISP Business Unit for the year ended December 31, 2017, as compared to threshold, target and maximum performance under the 2017 ABIP:

ISP Contribution Margin in millions				ISP Contribution Margin
Threshold (80% of target)	Target	Maximum (120% of target)	Actual	Payout %
\$ 64.0	\$80.0	\$ 96.0	\$88.8	154%

- In the case of Mr. Weinheimer's payout, Contribution Margin for the Oil & Gas Business Unit for the year ended December 31, 2017, as compared to threshold, target and maximum performance under the 2017 ABIP:

Oil & Gas Contribution Margin in millions				Oil & Gas Contribution
Threshold (80% of target)	Target	Maximum (120% of target)	Actual	Margin Payout %
\$ 98.0	\$122.0	\$ 146.0	\$302.0	200%

- The Chief Executive Officer presented to the Compensation Committee his proposed 2017 ABIP payouts for the other named executive officers.
- The Compensation Committee reviewed the benchmarking data discussed above in *Benchmarking*.

Table of Contents

- The Compensation Committee considered and agreed with the individual performance assessments that the Chief Executive Officer presented to the Compensation Committee for each other named executive officer as well as the Chief Executive Officer's self-assessment. The Compensation Committee members also discussed their own assessment of each named executive officer's performance, including the Chief Executive Officer assessment, which was managed by the Chairman of the Compensation Committee.
- The Compensation Committee discussed the relative compensation and organizational roles and responsibilities of the named executive officers.
- The Compensation Committee considered the following corporate, business unit and personal performance achievements:
 - Achieved adjusted EBITDA of \$307.7 million, including from acquisitions occurring in 2016, in a difficult operating environment;
 - completed the acquisition of Mississippi Sands, LLC, which owned a facility and mine in Festus, Missouri and transload locations in Benwood, West Virginia, and Seagraves, Texas, which are being successfully integrated into our systems and processes;
 - acquired land in Crane County, Texas and Lamesa, Texas and commenced the construction of sand mines and processing plants at each location;
 - acquired the WHITE ARMOR business, including its intellectual property, from National Coatings Corporation;
 - realized \$302.0 million of contribution margin in 2017 for the Oil & Gas Proppants segment;
 - realized \$88.8 million of contribution margin in 2017 for the ISP segment;
 - executed on the budgeted capital expenditure plan and cost reduction projects;
 - realized savings across the supply chain;
 - developed an acquisition pipeline for the ISP business to enable the continuous evaluation of strategic transactions;
 - continued to develop relationships with senior executives at key customers;
 - ensured a successful audit of our financial statements and internal control over financial reporting in which no material weaknesses were identified; and
 - continued to implement improved safety standards and tracking at each facility.

The Compensation Committee determined that the 2017 ABIP payouts it approved for the named executive officers were reasonable after reviewing the foregoing material factors.

Table of Contents

Based on the foregoing factors, the Compensation Committee determined that the following payouts should be made to the named executive officers under the 2017 ABIP:

Name	Target ABIP Payout (\$)	Corporate Performance Component ¹	ISP Performance Component ²	Oil & Gas Performance Component ³	Individual Performance Component ⁴	Payout as % of Target Award	Payout (\$)
Bryan A. Shinn	675,000	200%	154%	N/A	150%	181%	1,221,750
Donald A. Merrill	276,150	200%	154%	N/A	150%	181%	499,279
Bradford B. Casper	400,000	200%	154%	N/A	150%	181%	723,200
Michael L. Winkler	412,000	200%	154%	N/A	150%	181%	744,896
Don D. Weinheimer	311,000	200%	N/A	200%	100%	180%	559,800

1 60% weighting for Shinn, Merrill, Casper, and Winkler. 20% weighting for Weinheimer.

2 20% weighting for Shinn, Merrill, Casper, and Winkler only.

3 60% weighting for Weinheimer only.

4 20% weighting for all.

Long-Term Incentive Program

At the end of 2015 and in the first quarter of 2016, the Compensation Committee reviewed with Exequity the long-term incentive program for certain of our employees, including the named executive officers, that had been developed in 2015 and decided to remove stock options from the mix of equity awards made under the program to better align with market practices and to change the performance measure for the performance share units from cumulative Adjusted EBITDA over three years to relative total shareholder return over three years to diversify the performance metrics used in the overall executive compensation program. Under the 2017 long-term incentive program, each of our named executive officers has been provided equity grants consisting of the following performance-based component and retention-oriented, time-vested component:

- 55% of the target total grant value in the form of performance share units; and
- 45% of the target total grant value in the form of restricted stock units that vest ratably over three years.

The ultimate number of performance share units to be earned by the named executive officers will be based on our TSR (defined below) over the period from January 1, 2017 through December 31, 2019 expressed as a percentage ranking as compared to the TSR for the performance period of each of the companies in the S&P SmallCap 600 Energy Sector Index that are part of such index at both the beginning and the end of the performance period (“TSR Ranking”), in accordance with the following schedule:

TSR Ranking January 1, 2017 through December 31, 2019	Number of PSUs Vested as Percentage of Target
Less Than 30th percentile	0%
30th percentile	50% (Threshold)
50th percentile	100%
75th percentile	150%
Equal to or Greater Than 90th percentile	200% (Maximum)

No performance share units will be earned if the threshold goal is not met. To the extent that the actual TSR ranking for the performance period is between goals, the number of performance share units to become vested will be determined on a pro rata basis using straight line interpolation.

For purposes of the performance share units, the term “TSR” shall mean total shareholder return for a company, expressed as a percentage, determined by dividing (i) an amount equal to the sum of (x) the difference between the Beginning Stock Price and the Ending Stock Price and (y) the sum of all dividends paid on one share of such company’s stock during the performance period, provided that dividends shall be treated as reinvested on the ex-dividend date at the closing price on that date by (ii) the Beginning Stock Price, as calculated in good faith by the Committee. “Beginning Stock Price” for a company shall mean the average closing price on the applicable stock exchange of one share of the company’s stock for the sixty (60) days immediately prior to the first day of the performance period. “Ending Stock Price” for a company shall mean the average closing price on the applicable stock exchange of one share of the company’s stock for the sixty (60) days immediately prior to the last day of the performance period.

Table of Contents

We believe our long-term incentive program aligns the interests of our named executive officers with our shareholders, provides our named executive officers with incentives linked to long-term performance and creates an ownership culture. In addition, the vesting feature of our long-term incentive program contributes to executive retention because this feature provides an incentive to our named executive officers to remain in our employ during the vesting period.

In determining the mix of equity awards and the individual target award opportunities under the long-term incentive program, the Board and the Compensation Committee exercised its judgment and discretion, in consultation with our Chief Executive Officer and the Committee's compensation consultant, and considered, among other things, the role and responsibility of the named executive officer, competitive factors including a review of market data as discussed in *Benchmarking*, the amount of stock-based equity compensation already held by the named executive officer, and the cash-based compensation received by the named executive officer to determine the long-term incentive program opportunity that was approved.

2017 Restricted Stock Units

The restricted stock unit awards vest ratably over three years. The restricted stock unit award grants approved by the Board and the Compensation Committee in 2017 for each named executive officer are reflected in the *Grants of Plan-Based Awards Table* below.

2015-2017 Performance Share Units

Performance share units were granted to each of the named executive officers with a performance period that began on January 1, 2015 and ended December 31, 2017. These grants are included in the *Outstanding Equity Awards at Fiscal Year-End* table. Based on our cumulative Adjusted EBITDA performance over the performance period (\$441.4 million vs. a threshold performance level of \$740.0 million), the Compensation Committee determined that no awards were payable under these grants.

The restricted stock unit and performance share unit awards approved by the Board and the Compensation Committee in 2017 for each named executive officer are reflected in the *Grants of Plan-Based Awards Table* below.

Additional Executive Benefits and Perquisites

We provide our executive officers with executive benefits and perquisites that the Board believes are reasonable and in the best interests of our company and our shareholders. Consistent with our compensation philosophy, we intend to continue to maintain our current benefits for our executive officers, including retirement plans, health and welfare benefits and life insurance and long-term disability insurance described below. The Compensation Committee, in its discretion, may revise, amend or add to an officer's executive benefits if it deems it advisable. We believe these benefits are generally equivalent to benefits provided by comparable companies. We have no current plans to change the levels of benefits provided thereunder.

Retirement Plan Benefits. We sponsor a 401(k) plan covering substantially all eligible employees. Employee contributions to the 401(k) plan are voluntary. We contribute an amount equal to 25% of a covered employee's eligible contribution up to 8% of a participant's salary. We also may contribute from 0% to 25% of a covered employee's eligible contribution up to 8% of a participant's salary, if applicable, based on our profits from the previous fiscal year as an incentive to encourage our employees to participate in the 401(k) plan. The contributions based on our profits are paid during the Spring of the following fiscal year. In the case of both the matching program and the profit sharing program, an employee is fully vested in our contributions after five years of service. Finally, we also provide a 4% defined contribution of monthly basic income into a participant's 401(k) account if that participant does not participate in our defined pension plan. An employee is fully vested in these contributions after one year of service. Contributions by participants are limited to their annual tax deferred contribution limit as allowed by the Internal Revenue Service.

None of our named executive officers participate in or have account balances in any qualified or nonqualified defined benefit plans sponsored by us. Either our Board or our Compensation Committee may elect to adopt qualified or nonqualified benefit plans in the future if it determines that doing so is in our best interest.

Health and Welfare Benefits. We offer health, dental and vision coverage for all employees, including our named executive officers, and pay a portion of the premiums for our named executive officers on the same basis as for our other salaried employees.

Life Insurance and Long-Term Disability Insurance. As of December 31, 2017, we offer life insurance up to five times each employee's annual salary up to a maximum of \$600,000. We offer long-term disability insurance equal to 66.67% of an employee's annual salary, up to a maximum of \$10,000 per month. We pay life insurance premiums on behalf of our named executive officers and all

other salaried employees equal to one times annual salary. Additional amounts up to the maximum amount are paid by the employee. We pay the premium for long term disability for 60% of salary (up to the \$10,000 per month maximum) for all employees, including our named executive officers. The premium for the additional 6.67% is paid for by the employee.