U.S. SILICA HOLDINGS, INC.
Form DEF 14A
March 26, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN
PROXY STATEMENT

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

Filed by the Registrant	Filed by a Party other than the Registrant o

Check the appropriate box:

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

U.S. Silica Holdings, Inc.
(Name of Registrant as Specified in its Charter)
N/A
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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CHARLES W. SHAVER
Chairman of the Board

BRYAN A. SHINN
President and Chief Executive Officer

U.S. Silica Holdings, Inc.
24275 Katy Freeway
Suite 600
Katy, TX 77494

March 26, 2019

Dear Fellow Stockholder:

We invite you to attend our Annual Meeting of Stockholders to be held on Thursday, May 9, 2019 at 9:00 a.m., Eastern Daylight Time, in the Gallatin Room at The Jefferson Hotel, 1200 16th Street, NW, Washington, DC 20036. Our Proxy Statement for the annual meeting and our 2018 annual report accompany this letter.

The Notice of Annual Meeting of Stockholders and the Proxy Statement describe the items of business to be considered at the meeting. Please consider the items presented and vote your shares as promptly as possible.

We are utilizing a Securities and Exchange Commission rule that permits us to furnish proxy materials to stockholders over the Internet. We have delivered to our stockholders a Notice of Internet Availability of Proxy Materials, which indicates how to access our proxy materials on the Internet. By furnishing this Notice of Internet Availability of Proxy Materials in lieu of mailing our proxy materials, we are lowering the delivery costs and reducing the environmental impact of the meeting. If you prefer a paper copy of the proxy materials, you may request one by following the procedure set forth in the Notice of Internet Availability of Proxy Materials.

Your vote is important. Whether or not you plan to attend the Annual Meeting of Stockholders, please vote your shares by proxy via Internet, telephone or mail to ensure that your vote is counted. If you hold your shares through an account with a broker, bank or other nominee, please follow the instructions you receive from that nominee to vote your shares.

Thank you for your continued support of U.S. Silica.

Sincerely,

Charles W. Shaver	Bryan A. Shinn
Chairman of the Board	President and Chief Executive Officer

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U.S. Silica Holdings, Inc.
24275 Katy Freeway, Suite 600, Katy, TX 77494

Notice of Annual Meeting of Stockholders

Date and Time

Thursday, May 9, 2019 at 9:00 a.m. Eastern Daylight Time

Place

The Gallatin Room at The Jefferson Hotel
1200 16th Street, NW
Washington, DC 20036

Record Date

March 14, 2019

YOUR VOTE IS IMPORTANT

Even if you plan to attend the Annual Meeting in person, we encourage you to vote in advance by:

- visiting ***www.proxyvote.com***
- mailing your signed proxy card or voting instruction form
- calling toll-free from the United States, U.S. territories and Canada to 1-800-690-6903

Items to be Voted

- Election of six Director nominees named in the accompanying Proxy Statement;
- Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2019;
- Advisory vote to approve the compensation of our named executive officers as disclosed in the accompanying Proxy Statement; and
- Transaction of any other business that properly comes before the meeting, or any postponement or adjournment thereof.

The Board of Directors recommends a vote FOR each of the six Director nominees; ratification of the appointment of our independent registered public accounting firm; and approval of the compensation of our named executive officers.

We discuss the above business matters in more detail in the accompanying Proxy Statement.

Only holders of record of our common stock at the close of business on March 14, 2019 will be entitled to vote. **If you plan to attend the Annual Meeting in person, please note the admission procedures set forth in the accompanying Proxy Statement.**

W. Andrew Macan
Senior Vice President, General Counsel & Corporate Secretary

March 26, 2019

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 9, 2019:
The Proxy Statement and 2018 annual report are available at ***www.proxyvote.com.***

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U.S. Silica Holdings, Inc. Proxy Statement

PROXY SUMMARY

Annual Meeting of Stockholders

Date and Time:	Thursday, May 9, 2018 9:00AM, Eastern Time
Place:	The Jefferson Hotel The Gallatin Room 1200 16th Street, NW Washington, DC 20036
Record Date:	March 14, 2019

Only stockholders of record at the close of business on March 14, 2019 (the Record Date), will be entitled to receive notice of and to vote at the Annual Meeting. As of the Record Date we had 73,469,352 shares outstanding. We initiated delivery of these Proxy Materials to stockholders on March 26, 2019.

About U.S. Silica

U.S. Silica is a performance materials company with core competencies in mining, processing, logistics and materials science. Our May 2018 acquisition of EP Minerals enables us to continue to build on our 100+ year track record as a large-scale producer and innovator by expanding our end markets to include high-end filtration, pharmaceuticals, oil absorbents, animal feed and environmental remediation. With 27 geographically dispersed production facilities controlling an estimated 627 million tons of reserves of commercial silica and 56 million tons of reserves of diatomaceous earth, perlite, and clays - we produce and cost-effectively deliver over 400 diversified products to customers across our end markets.

We maintain an on-going commitment to research and business development efforts in order to enhance our existing products, develop new products, increase our presence and market share in certain specialty products end markets, and allow us to enter new markets.

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PROXY SUMMARY

With over 2,800 employees world-wide, we operate on a platform of ethics, safety and sustainability. As we change and grow, our core values remain constant:

We ensure the safety of our people and the environment.
We act with honesty and integrity.
We treat each other with respect and dignity.
We operate in our communities as good neighbors.

Many of these efforts are described in our Corporate Sustainability Report which we expect to publish during the second quarter and will be available on our website at: www.ussilica.com/why-us-silica/sustainability.

Company Highlights

The information summarized below is disclosed elsewhere in this Proxy Statement. You should carefully consider all information presented in this Proxy Statement when deciding how to cast your vote.

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PROXY SUMMARY

Voting Matters

The following table summarizes the proposals to be considered at the Annual Meeting and the Board s voting recommendation for each proposal.

Proposal		Board Recommendation	Vote Required
#1	Election of Directors	**FOR** each nominee	TBD
#2	Ratification of Grant Thornton LLP as Independent Registered Public Accounting Firm for Fiscal Year 2019	**FOR**	TBD
#3	Advisory Vote to Approve Named Executive Officer Compensation (Say-on-Pay)	**FOR**	TBD

Corporate Governance Highlights

Director Independence	**Stock Ownership Guidelines**	**Regular Independent Directors Executive Sessions**
Limits on Board Service	**Board Diversity**	**Director Communication**
Succession Planning	**Crisis & Risk Management Planning**	**Board Evaluation**

Executive Compensation Highlights

We seek to apply a consistent philosophy to compensation for all executive officers to pay EQUITABLY, COMPETITIVELY, and on PERFORMANCE.

What We Do

Clawback Policy

Stock Ownership Guidelines

Limited Perquisites

Independent Compensation Consultant

Double Trigger Change in Control

Compensation Risk Assessment

What We DON'T Do

No Guaranteed Annual Bonus

No Pension Plan

No Special Tax Gross-ups

No Hedging; Limited Pledging

No Option Repricing, Reloads or Buyouts

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PROXY SUMMARY

MATTERS YOU ARE VOTING ON

Below are the proposals to be presented for voting during the U.S. Silica Holdings, Inc. ("we," "us," "our," the Company or U.S. Silica) Annual Meeting of Stockholders on Thursday, May 9, 2019 (the "Annual Meeting").

Proposal No. 1: Election of Directors

Each of the six current members of our Board of Directors (referred to as the Board of Directors or the Board) (i) has been nominated by the Board for election as a Director at the Annual Meeting to serve until the 2020 Annual Meeting of Stockholders and until his or her successor is elected and qualified, or if earlier, upon his or her death, resignation or removal, and (ii) has agreed to serve if elected. However, if for some reason one of them is unable or unwilling to serve, your proxy will vote for the election of another Board nominee, unless the Board reduces the total number of directors on the Board. Biographical information, including a discussion of specific experience, qualifications, attributes and skills for each of the nominees, and other information about them, is presented beginning on page 5. ***The Board recommends a vote FOR each Director nominee.*** See Proposal No. 1 starting on page 5.

Proposal No. 2: Ratification of Appointment of Grant Thornton LLP as our Independent Registered Public Accounting Firm for 2019

This proposal is to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2019. See Proposal No. 2 on page 46. ***The Board recommends a vote FOR this proposal.***

Proposal No. 3: Advisory Vote to Approve Executive Compensation

This proposal is to approve the compensation of our named executive officers (referred to as "named executive officers" or NEOs) as disclosed in this Proxy Statement. See Proposal No. 3 on page 48. ***The Board recommends a vote FOR this proposal.***

Other Business Matters

The Board is not aware of any other business to come before the Annual Meeting. However:

- if any of the persons nominated to serve as a Director is unable or unwilling to serve and the Board designates a substitute nominee, or
- if any matters concerning the conduct of the meeting are properly presented for action,

then stockholders present at the meeting may vote on such items. If your shares are represented by proxy at the Annual Meeting, your proxy will vote your shares on any such business as recommended by the Board or, if no recommendation is given, using his discretion.

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PROPOSAL NO. 1:

ELECTION OF DIRECTORS

Directors will be elected by the affirmative vote of a majority of the votes cast by the stockholders represented at the Annual Meeting and entitled to vote (meaning the number of votes cast for a Director nominee must exceed the number of votes cast against that nominee), assuming a quorum is present. Abstentions and broker non-votes have no effect on this proposal, except they will be counted as having been present for purposes of determining the presence of a quorum at the Annual Meeting.

If any Director nominee who is a current Director is not re-elected at the Annual Meeting by a majority of the votes cast, under Delaware law the Director would continue to serve on the Board as a holdover director until the Director s successor is elected. However, we have implemented a majority voting standard in our Corporate Governance Guidelines (Guidelines), so any Director who does not receive a majority of the votes cast is expected to tender his or her resignation to the Board. The Nominating & Governance Committee would then act on an expedited basis to determine whether to accept the Director s resignation and would submit such recommendation for prompt consideration by the Board. A Director who tenders a resignation will not participate in the Board s decision.

THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE *FOR* THE ELECTION OF EACH OF THE NOMINEES. IF NOT OTHERWISE SPECIFIED, PROPERLY SIGNED AND SUBMITTED PROXIES WILL BE VOTED *FOR* EACH OF THE NOMINEES. IF YOU FAIL TO PROPERLY SUBMIT YOUR PROXY CARD, YOUR SHARES WILL NOT BE VOTED ON THIS PROPOSAL

DIRECTOR NOMINEES

The Board has determined that its current composition provides a balanced mix of expertise, including with respect to the energy and logistics sectors, public company management, financial acumen and other expertise and diversity, and provides the appropriate range and balance regarding director tenure. The Board believes that each Director nominee possesses the leadership, experience, qualifications, attributes and skills to make significant contributions to the Board, our stockholders and the Company as whole. Additionally, the information detailed below specifies each nominee s experience, qualifications, attributes and skills the Board considered in concluding that the nominee should serve as a Director.

Directors

Peter C. Bernard, age 57, has served as a member of the Board since May 2012. Mr. Bernard also has served as a member of the board of directors of RS Energy Group, a reservoir engineering and consulting business, since February 2016; as Executive Chairman of Rubicon Oilfield International, an oilfield products and equipment company, since November 2015; as a consultant to Warburg Pincus, a private equity investing firm, since June 2014; and as managing member and owner of Pinion Energy Consulting, LLC, which provides advisory services to the energy sector, since July 2009. Additionally, he served as Executive Chairman of C&C Reservoirs, which provides data to the upstream petroleum industry, from September 2014 to October 2016; Chairman of Tendeka, a global completions solutions company headquartered in the United Kingdom, from January 2011 until August 2016 and as a consultant to Kenda Capital from September 2010 through March 2015. From October 2010 until November 2014, Mr. Bernard served as the Chairman of Zeitecs, a specialized artificial lift technology company. Mr. Bernard served in various roles of increasing responsibility and seniority at Halliburton Company until his retirement in December 2008, including as a member of the Executive Committee from 2007 until December 2008 and as Senior Vice President of Business Development and Marketing from 2006 to April 2008. Additionally, Mr. Bernard served as Vice President and Global Account Executive for Royal Dutch Shell from 2003 to 2004 and President and CEO of Landmark Graphics from 2004 to 2006. Mr. Bernard received his B.S. degree in Petroleum Engineering from

PROPOSAL NO. 1: ELECTION OF DIRECTORS

the University of Louisiana at Lafayette. As a result of these and other professional experiences, Mr. Bernard brings extensive breadth, depth and expertise in the oil and natural gas services sector of the energy industry that strengthens the Board s collective qualifications, skills and experience.

Diane K. Duren, age 59, was appointed to the Board in August 2017. In February 2017, Ms. Duren retired from Union Pacific Corporation, the operator of one of North American s premier railroad franchises, having served as Executive Vice President, Chief Administrative Officer and Corporate Secretary for four years, after serving as Vice President and General Manager–Chemicals in Marketing & Sales. Since joining Union Pacific in 1985, she held a variety of positions in the Finance and Marketing & Sales departments, including Vice President and General Manager–Agricultural Products. In 2012, Ms. Duren was one of the honorees of the Women s Center for Advancement Tribute to Women. She was recognized by Profiles in Diversity Journal as one of the Women Worth Watching in 2011, and that same year, she was awarded the Creighton University College of Business Alumni Merit Award. In 2008, Ms. Duren was recognized by Pink magazine, a magazine for professional women, as one of the top 15 women in business. Prior to her employment at Union Pacific, she was a certified public accountant with Deloitte, Haskins & Sells in Omaha. Ms. Duren has served as a director of Werner Enterprises (NASDAQ: WERN), a transportation and logistics company, since May 2017. She has been active on multiple community and industry boards including Girl Scouts – Spirit of Nebraska and American Red Cross, of which she served as chair of the Heartland Chapter in 2010 and 2011. In 2014, Ms. Duren was appointed by Omaha Mayor Jean Stothert and reappointed for another five-year term beginning May 2019 by the Omaha City Council to the Metropolitan Entertainment & Convention Authority Board of Directors and is the current Chairwoman of the Board. She also serves on the Board of Children s Hospital and Medical Center as Chair. Ms. Duren joined the Peter Kiewit Foundation as a community advisor in December 2018. Ms. Duren holds a bachelor s degree in Business Administration from Creighton University. Ms. Duren s vast experience in the transportation industry, multiple leadership roles, and accounting and financial experience strengthen the Board s collective qualifications, skills and experience.

William J. Kacal, age 70, has served as a member of the Board since January 2012. Mr. Kacal served as a director of Alon USA Energy, Inc. (NYSE: ALJ), an independent refiner and marketer of petroleum products until June 2017, at which time it was acquired; Integrity Bancshares, Inc., located in Houston, Texas, and its wholly-owned subsidiary, Integrity Bank SSB (Integrity Bank) until May 31, 2018, at which time it was acquired; the National Association of Corporate Directors (NACD) — Texas Tri-Cities Chapter and Goodwill Industries of Houston (Goodwill Houston). Mr. Kacal served on the Audit Committee of Integrity Bank. Mr. Kacal previously served on the Audit Committee of Alon USA Energy, Inc. and served as the Chairman of the Audit Committee of Boy Scouts of America — Sam Houston Area Council, Goodwill Industries International and Goodwill Houston. He also previously served on the Alon USA Energy, Inc. Special Committee. Mr. Kacal has over 40 years of accounting and management experience with Deloitte & Touche LLP (Deloitte), most recently serving as a partner from 1981 until his retirement in May 2011, and prior to that serving as a member of the audit staff from 1970 to 1981. Mr. Kacal also served as a member of the board of directors of Deloitte from 2004 to May 2011 and as a member of the executive committee from 2004 to 2008. During his time with Deloitte, Mr. Kacal worked extensively with companies in the oil and natural gas industry. Mr. Kacal earned a B.B.A. in Accounting from Texas A&M University, is a licensed Certified Public Accountant in Texas and is a NACD Board Leadership Fellow. As a result of these and other professional experiences, Mr. Kacal possesses particular knowledge and experience in accounting, finance and capital structure; strategic planning and leadership of complex organizations; and board practices of other entities that strengthen the Board s collective qualifications, skills and experience.

Charles W. Shaver, age 60, has served as a member of the Board since July 2011 and is currently our Chairman of the Board. Mr. Shaver is currently Chairman and CEO of Nouryon, a global specialty chemicals company located in Amsterdam. Mr. Shaver previously served as the Chairman and Chief Executive Officer of Axalta Coating Systems

Ltd. (NYSE: AXTA), a global coatings company, from February 2013 until September 2018, where he now serves as Chairman. Mr. Shaver serves as a member of the board of directors for Atotech, Inc. and previously served as a member of the board of directors of Taminco Inc., a specialty chemicals company, until it was acquired and ceased to be a publicly-traded company. Prior to joining Axalta Coating Systems, Mr. Shaver was an Operating Partner of Golden Gate Capital from April 2011 until December 2012. Prior to joining Golden Gate Capital, Mr. Shaver served as the Chief Executive Officer and President of the TPC Group Inc. from 2004 to April 2011, as a Vice President and General Manager for Gentek, Inc. from 2001 to 2004 and as a Vice President and General Manager for Arch Chemicals, Inc. from 2001 to 2004. Mr. Shaver began his career with The Dow Chemical Company, where he held a series of operational and business positions from 1980 to 1996. Mr. Shaver

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PROPOSAL NO. 1: ELECTION OF DIRECTORS

earned a B.S. in chemical engineering from Texas A&M University. As a result of these and other professional experiences, Mr. Shaver possesses particular knowledge and experience in all aspects of corporate functions and company operations that strengthen the Board s collective qualifications, skills and experience.

Bryan A. Shinn, age 57, has served as our President since March 2011 and as our Chief Executive Officer and a member of the Board since January 2012. Prior to assuming these positions, Mr. Shinn was our Senior Vice President of Sales and Marketing from October 2009 to February 2011. Before joining us, Mr. Shinn was employed by the E. I. du Pont de Nemours and Company from 1983 to September 2009, where he held a variety of key leadership roles in operations, sales, marketing and business management, including Global Business Director and Global Sales Director. Mr. Shinn earned a B.S. in Mechanical Engineering from the University of Delaware. As a result of these and other professional experiences, Mr. Shinn possesses particular knowledge and experience in operations, sales, marketing, management and corporate strategy that strengthen the Board s collective qualifications, skills and experience.

J. Michael Stice, Ed.D**.**, age 59, has served as a member of the Board since October 2013. Dr. Stice has served as Dean of the Mewbourne College of Earth & Energy at the University of Oklahoma since August 2015. From September 2009 until his retirement in December 2014, he served as Chief Executive Officer of Access Midstream Partners, L.P., a midstream natural gas services provider, and served as a director of the general partner of Access Midstream Partners, L.P. from July 2012 until December 2014. Dr. Stice has served as a director of Marathon Petroleum Corporation (NYSE: MPC), an oil refiner, since January 2017, as a director of MPLX LP (NYSE: MPLX), a midstream MLP, since March 2018, and as a director of Spartan Energy (NYSE: SPAQ.U), a diversified energy special purpose vehicle, since October 2018 and previously served as a director of SandRidge Energy, Inc. (NYSE: SD), an oil and natural gas company, and as a director of MarkWest Energy Partners (NYSE: MWE), a midstream natural gas services provider. Dr. Stice was also Senior Vice President, Natural Gas Projects, of Chesapeake Energy Corporation (NYSE: CHK) and President and Chief Operating Officer of Chesapeake s primary midstream subsidiaries from November 2008 through July 2012. Prior to joining Chesapeake, Dr. Stice spent 27 years with ConocoPhillips and its predecessor companies, where he most recently served as President of ConocoPhillips Qatar, responsible for the development, management and construction of natural gas liquefaction and regasification (LNG) projects. While at ConocoPhillips, he also served as Vice President of Global Gas LNG, as President of Gas and Power and as President of Energy Solutions in addition to other roles in ConocoPhillips midstream business units. Dr. Stice received a Bachelor of Science degree in Chemical Engineering from the University of Oklahoma in 1981, a Master of Science degree in Business from Stanford University in 1995 and a Doctor of Education degree from The George Washington University in 2011. As a result of these professional and academic experiences, Dr. Stice brings extensive breadth, depth and expertise in the oil and natural gas services sector of the energy industry that strengthen the Board s collective qualifications, skills and experience.

Family Relationships

There are no family relationships between any of our executive officers or Directors.

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CORPORATE GOVERNANCE

Our Board of Directors and management believe that a strong corporate governance program is essential to the long-term success of the Company. The Nominating & Governance Committee and our Board regularly review our corporate governance structure, in light of changes in Securities and Exchange Commission (SEC) and New York Stock Exchange (NYSE) rules, as well as current best practices.

The Guidelines, along with other governance documents including the Code of Business Conduct & Ethics for Employees, Code of Conduct for the Board of Directors, each of the Audit, Compensation, Nominating & Governance, and Executive Committee charters, and other governance policies are available on our website at www.ussilica.com (*see*, Investor Relations/Highlights) and are available in print to any stockholder upon request by contacting our Investor Relations team via email at ir@ussilica.com; via post at: U.S. Silica Holdings, Inc., Attn.: Investor Relations, 24275 Katy Freeway, Suite 600, Katy, Texas 77494 ; or by calling (281) 258-2170.

Codes of Conduct

U.S. Silica has adopted a worldwide Code of Business Conduct & Ethics for Employees (Code), which applies to all officers and other employees of the Company. This Code provides a broad set of legal and ethical principles intended to guide all of our employees in the performance of their duties, and covers topics such as conflicts of interest, gifts and gratuities, insider trading, anti-trust and fair competition, discrimination and harassment, confidentiality, anti-boycott laws, political activity, and government investigations. We

periodically review and, as necessary, revise the Code in accordance with good corporate governance practices. Additionally, the Board has adopted a Code of Conduct for the Board of Directors, which applies to all Directors and establishes specific standards they are expected to follow in carrying out their duties as directors. All Directors, officers and employees are expected to always act ethically and in compliance with Company policies and applicable codes of conduct.

Transactions with Related Persons

The Board has adopted a Related Party Transactions policy, which provides for the review of all known transactions, arrangements, and relationships (or series of similar or related transactions) between U.S. Silica (or a subsidiary) and any (1) person who is a director or executive officer of, or a nominee to become a director of, U.S. Silica; (2) person who is known to be the beneficial owner of more than 5% of any class of our stock; or (3) immediate family member of any of the foregoing persons, in each case where the aggregate amount involved exceeds $120,000. We refer to such persons as related persons and such transactions as Related Person Transactions. The purpose of this review is to determine whether such related persons have a direct or indirect material interest in the applicable Related Person Transaction.

Under the policy, any Related Person Transaction must be approved or ratified by a majority of the Board s disinterested Directors, or a designated sub-set of such Directors. Approval will be granted only if the disinterested directors determine that the transaction is on terms no less favorable to U.S. Silica in the aggregate than those generally available to an unaffiliated third party under similar circumstances. Other than compensation agreements and other arrangements that are described elsewhere in this Proxy Statement, since January 1, 2018, there have been no Related Person Transactions and none are currently proposed.

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CORPORATE GOVERNANCE

Board of Directors and Committees

Communications with the Board

Stockholders and interested parties may write, call or email our Board of Directors by contacting our Corporate Secretary as follows:

Relevant communications will be distributed to Mr. Shaver, the Board s designated communications Director, who in turn, will distribute them to the full Board or to individual directors, as appropriate. The Corporate Secretary will not forward communications unrelated to the Directors duties and responsibilities such as "spam," advertisements, mass mailings, form letters and email campaigns that involve

unduly large numbers of similar communications, individual product inquiries or complaints, resumes and other forms of job inquiries, surveys, or communications that are unduly hostile, threatening, illegal, or similarly unsuitable. Any communication that is filtered out is available to any Director upon request.

Determination of Independence

Our Guidelines require a majority of our Directors to qualify as independent directors according to NYSE listing standards. The Board determined that each of Messrs. Bernard, Kacal, and Shaver as well as Ms. Duren and Dr. Stice (collectively the Outside Directors), a majority of current Board members, meets the NYSE s definition of an independent director. There were no

transactions, employment or other relationships, voting or other agreements or any other arrangements that the Board considered when evaluating the independence of each of the Outside Directors.

Mr. Shinn, who is our President and Chief Executive Officer (CEO), is not independent.

Board Leadership Structure

U.S. Silica believes that independent board oversight is an essential component of strong corporate performance and enhances stockholder value. Our Guidelines provide that the roles of Chairman of the Board and CEO may be separate or

combined at the Board s discretion and is an element to regularly be considered as part of the succession planning process. The Board believes there is no single organizational model that is the best and most effective in all circumstances.

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CORPORATE GOVERNANCE

Consequently, the Board periodically considers whether the offices of Chairman and CEO should be combined and who should serve in such capacities. While the Board retains the authority to combine the positions of Chairman and CEO if it deems appropriate in the future, the roles of Chairman and CEO are presently separated, with Mr. Shaver serving as the independent Chairman and Mr. Shinn serving as our CEO. The Board believes that this structure currently best serves the interests of stockholders because it allows Mr. Shinn to focus primarily on our business strategy and operations and most effectively leverages the experience of Mr. Shaver

serving as Chairman. It also enhances the Board s independent oversight, including risk oversight, of our senior management team and enables better communications and relations between the Board, the CEO and other senior management. In that regard, our independent Chairman presides over the executive sessions of the non-management and independent Directors on the Board. The Board will continue to reexamine its corporate governance policies and leadership structures on an ongoing basis to ensure that they continue to meet our needs.

Board s Role in Risk Oversight

While our management team is responsible for the day-to-day management of risk, the Board, led by the Audit Committee, has broad oversight responsibility for our risk-management programs. In this role, the Board is responsible for satisfying itself that the risk-management processes designed and implemented by management are functioning as intended, and that necessary steps are taken to foster a culture of prudent decision-making throughout the organization.

The Board performs its risk oversight function in part through its Committees, which, except for the Executive Committee, are comprised solely of independent Directors. Each such Board Committee s risk oversight role is as follows:

Audit Committee. The Audit Committee oversees management of risks related to our financial reporting and disclosure processes, any related party or conflict-of-interest transactions, and cybersecurity matters.

Financial Risks. The Audit Committee regularly discusses with management our policies governing our risk assessment and risk- management programs, including major financial and regulatory exposures and management’s efforts to monitor and control these exposures.

Cybersecurity Risks. Cybersecurity risk has been identified as a key consideration related to our operational risk management efforts. Accordingly, the Audit Committee regularly reviews risk assessments from management with respect to cybersecurity, including the adequacy and effectiveness of the Company’s internal controls regarding cybersecurity, emerging cybersecurity developments and threats, and the Company’s strategy to mitigate cybersecurity risks. Given the nature of our operations and business, including our reliance on relationships with various third-party providers, cybersecurity risk may manifest itself through various business activities and channels, and it is thus considered an enterprise-wide risk that is subject to control and monitoring at various levels of management throughout the Company. As a result, we have implemented an information security management program, which is subject to oversight by and reporting to the Audit Committee. In addition, the Company periodically engages outside cybersecurity experts to assess our cybersecurity exposures and enhance our controls, monitoring and mitigation activities related to these risks. The Company and our corporate insurance broker continue to assess the availability of appropriate and cost efficient cyber insurance as an additional cybersecurity risk management tool.

Related Party Transactions Risks. The Audit Committee is also responsible for reviewing with management and our independent auditors all related party transactions or dealings between parties related to the Company. The Board has also adopted a Related Party Transactions policy to assist in the management of these risks, as described under *Transactions with Related Persons* above.

Compensation Committee. The Compensation Committee oversees management of risks related to our compensation policies and practices and determines whether those risks are reasonably likely to have a material adverse effect on us.

Nominating & Governance Committee. The Nominating & Governance Committee oversees management of risks related to Board processes and composition, including director independence, as well as corporate governance matters.

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CORPORATE GOVERNANCE

The Board believes that our current Board leadership structure appropriately considers the Board s role in risk management oversight, including the appropriate delegation of risk management oversight responsibilities to the various Board Committees as described above. In

addition to the specific risk oversight areas overseen by these Board Committees, the Board as a whole exercises its oversight function with respect to all other material risks to U.S. Silica, which are identified and discussed in our periodic reports and other public filings with the SEC.

Board Qualifications, Recruitment & Nominations

We believe our stockholders are best served by collaboration among different perspectives and consequently, the Board seeks nominees with a broad diversity of experiences, professions, viewpoints, skills, and backgrounds that will enable them to make a significant contribution to the Board, the Company and our stockholders. The Board believes that the backgrounds and qualifications of all of the current Director nominees, considered as a group, provide a broad diversity of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. We discuss each nominee s specific experience, qualifications, attributes and skills in *Director Nominees*.

The Nominating & Governance Committee annually reviews the qualifications and backgrounds of the Directors, as well as the overall composition of the Board, and recommends to the full Board the slate of Director candidates to be nominated for election at the next Annual Meeting of Stockholders. From time to time, the Nominating & Governance Committee may retain third-party search firms to assist the Board in identifying and evaluating potential candidates to serve on the Board. The Committee s review of existing Directors and any new potential candidate is guided by the director qualifications listed in our Guidelines, including: the nominee s contribution to diversity of gender, race, ethnicity, age, education, and cultural background, professional experiences, skills and expertise in the context of the needs of the Board; the nominee s ability to represent all stockholders without a conflict of interest; the nominee s ability to work in and promote a productive environment; whether the nominee has sufficient time and willingness to fulfill the substantial duties and responsibilities of a director; whether the nominee has demonstrated the high level of character and integrity expected by the Company; whether the nominee possesses the broad professional and leadership experience and skills necessary to effectively respond to the

complex issues encountered by a publicly-traded company; and the nominee s ability to apply sound and independent business judgment. Additionally, the Guidelines provide that no Director should serve on more than three boards of public companies (including the Board); no Director should serve as Chair of more than two boards of public companies (including the Board); no Director should serve on more than three audit committees of public company boards (including the Audit Committee of the Board); no Director who is the chief executive officer of a public company should sit on more than two boards of public companies (including the Board); no Director may be nominated to a new term if he or she would be age 75 or older at the time of election, unless he or she is also the CEO; and no Director may serve as a director, officer or employee of a competitor of the Company.

A stockholder wishing to recommend a Director candidate should send the recommendation to our Corporate Secretary at: 24275 Katy Freeway, Suite 600, Katy, Texas 77494. If a stockholder would like its recommended Director candidate to be considered for election at an upcoming Annual Meeting of Stockholders, the stockholder should follow the timing and other requirements set forth in our bylaws for submitting Director nominations, including submission of the recommendation in writing between 90 and 120 days before the first anniversary of the preceding year s Annual Meeting of Stockholders (in most circumstances, although different timing requirements would apply if the meeting is advanced or delayed by 30 days or more relative to the preceding year s meeting or if no meeting was held in the preceding year) and delivery of certain specified information about the stockholder and the recommended director candidate. The Nominating & Governance Committee will consider such a candidate using the same process and criteria used for candidates recommended by management, the Board or any other source.

Succession Planning & Leadership Development

Succession planning and leadership development are top priorities for the Board and management. On an ongoing basis, the Board plans for succession to the role of CEO and other senior management positions — a process overseen by the Compensation Committee, which reviews and makes recommendations to the Board regarding succession

strategies and leadership development initiatives. To assist the Board, the CEO periodically reports on individual senior executives and their potential to succeed to the position of CEO and provides an assessment of potential successors to other key positions. Our Human Resources team also assists in succession planning, as necessary.

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CORPORATE GOVERNANCE

Board & Director Evaluation Process

Our Board believes that a comprehensive evaluation process enhances the effectiveness of our Board and its Committees. Each year, the Board performs a rigorous full Board evaluation, and each Director performs a self-evaluation and evaluations of each peer Director. The

evaluation process, managed by the Corporate Secretary s office with oversight by the Nominating & Governance Committee, assesses the Board and each Committee s performance against the responsibilities listed in the Guidelines and the respective Committee charters.

Director Education

We encourage new Directors to participate in an orientation program that includes, among other things, discussions with senior management, site visits, and policy review. The Board expects the Company to provide at least one continuing education program each year and encourages Directors to

attend other continuing education programs, which typically focus on issues and current trends affecting directors of publicly-held companies. We reimburse our Directors for tuition and expenses associated with attending these programs.

Board Composition

Currently, our Board consists of six members. The affirmative vote of a majority of the number of authorized Directors is required to change the size of our Board. The term of office for each Director is until his or her successor is elected at our next Annual Meeting of Stockholders or his or her death, resignation or removal, whichever is earliest to occur. Stockholders elect Directors each year at our Annual Meeting of Stockholders.

The Board met ten times in 2018. Directors are expected to attend all or substantially all Board meetings and the meetings

for those Committees on which they serve. In 2018, each of the Directors nominated for re-election attended at least 75% of the Board and Committee meetings for the period for which he or she served.

The Board encourages each Director to attend each Annual Meeting of Stockholders. All current Board members attended our 2018 Annual Meeting of Stockholders.

Board Committees

The Board has established the Committees set forth below.

Executive Committee: The duties of the Executive Committee are set forth in its charter. This Committee may exercise all of the powers of the Board to act upon matters which, in the opinion of the Chairman of the Board, should not be postponed until the next previously scheduled meeting of the Board, except that it may not amend the bylaws or approve or adopt, or recommend to stockholders, any action expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval. The Committee met four times in 2018. Mr. Shaver is the Chairman, and Mr. Shinn and Dr. Stice are members.

Audit Committee: The duties of the Audit Committee are set forth in its charter. This Committee is responsible for, among other things: assisting the Board with overseeing our financial reporting, accounting, and internal control policies and procedures; qualifying and appointing our independent registered public accounting firm; and overseeing our internal audit function.

The Audit Committee met seven times in 2018. Mr. Kacal is the Chairman, and Mr. Bernard, Ms. Duren and Dr. Stice are members. Each of the Audit Committee members is

independent as prescribed by NYSE listing standards, SEC requirements and other applicable laws, rules and regulations. Each of the members of the Audit Committee is an audit committee financial expert as that term is defined in the applicable rules of the SEC and possesses the financial acumen required by NYSE listing standards.

Compensation Committee: The duties of the Compensation Committee are set forth in its charter. This Committee is responsible for, among other things: reviewing executive officer compensation goals, policies, plans and programs; reviewing and providing recommendations to the Board regarding the compensation of our Directors, CEO and other executive officers; and overseeing incentive compensation plans and executive officer benefit programs and policies. Pursuant to its charter, the Compensation Committee may delegate any of its responsibilities to one or more subcommittees or individuals as it may deem appropriate to the extent allowed by applicable law and the rules of the NYSE. The Committee delegated to Mr. Shinn the authority to award up to $2 million in stock awards annually for employees other than executive officers and business unit presidents.

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CORPORATE GOVERNANCE

The Compensation Committee met five times in 2018. Dr. Stice is the Chairman, Ms. Duren and Mr. Shaver are members. Each of the Compensation Committee members is independent as prescribed by NYSE listing standards, SEC requirements and other applicable laws, rules and regulations. Information on the roles of executive officers and compensation consultants in determining or recommending the amount or form of executive and Director compensation is provided under *Compensation Discussion and Analysis* and *Director Compensation* below.

Nominating & Governance Committee: The duties of the Nominating & Governance Committee are set forth in its charter. This Committee is responsible for, among other things: identifying individuals qualified to become

members of the Board, consistent with criteria developed and recommended by the Committee and approved by the Board; overseeing the organization of the Board and its Committees to discharge the Board s duties and responsibilities properly and efficiently; and identifying corporate governance best practices and recommending these or other corporate governance principles.

The Nominating & Governance Committee met four times in 2018. Mr. Bernard is the Chairman, and Messrs. Kacal and Shaver are members. Each of the Nominating & Governance Committee members is independent as prescribed by NYSE listing standards, SEC requirements and other applicable laws, rules and regulations.

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AUDIT COMMITTEE REPORT

The role of the Audit Committee is to assist the Board in its oversight of our responsibility relating to: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; (iii) the independent registered public accounting firm s qualifications and independence; and (iv) the performance of our internal auditors and independent registered public accounting firm. The Audit Committee operates pursuant to a charter, a current copy of which is available on our website at www.ussilica.com. Management is responsible for the preparation, presentation and integrity of our financial statements, accounting and financial reporting principles, and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for auditing our financial statements and our internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and expressing an opinion as to the conformity of the financial statements with accounting principles generally accepted in the United States and as to the effectiveness of our internal control over financial reporting. The independent registered public accounting firm has free access to the Audit Committee to discuss any matters it deems appropriate.

In the performance of its oversight function, the Audit Committee has reviewed and discussed the audited financial statements with management and the independent registered public accounting firm. The Audit Committee also has discussed with management and the independent registered public accounting firm management s assessment of, and the independent registered public accounting firm s audit of, the

effectiveness of our internal control over financial reporting. The Audit Committee relies without independent verification on the information provided to it and on the representations made by management and the independent registered public accounting firm. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees, as currently in effect. Finally, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB, as currently in effect, regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence, has considered whether the provision of non-audit services by the independent registered public accounting firm is compatible with maintaining the independent registered public accounting firm s independence, and has discussed with the independent registered public accounting firm the independent registered public accounting firm s independence.

Based upon the review and discussions described in this report, the Audit Committee recommended to the Board that the audited financial statements be included in our annual report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

William J. Kacal, Chairman
Peter Bernard
Diane Duren
J. Michael Stice

This Audit Committee Report shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 (the Exchange Act) other than as provided by applicable SEC rules, or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporate it by reference into a document filed under the Securities Act of 1933 (the Securities Act) or the Exchange Act. This Audit Committee Report *will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference.*

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EXECUTIVE AND DIRECTOR COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis describes the foundation of U.S. Silica s executive compensation philosophy, the principles and governance structure underlying our executive compensation program, the elements comprising total NEO compensation, and the Compensation Committee s application of those elements for our NEO s 2018 compensation. Our philosophy focuses on aligning executive pay with company performance – which means our NEO s compensation should be consistent with achieving financial and operational performance goals, including relative total stockholder return (TSR), and diligently pursuing strategic initiatives. In order to maintain that strong link between pay and performance, a significant portion of our NEO compensation is at-risk pay.

Below is an overview of our performance, a summary of our executive compensation principles and governance, an explanation of benchmarking against our peers and the elements and application of our executive compensation program, including the material compensation decisions made for 2018 and reflected in the executive compensation tables provided elsewhere in this Proxy Statement.

Our NEOs for 2018 are as follows:

2019 Named Executive Officers

Name	**Position**
Bryan Shinn	President and Chief Executive Officer
Donald Merril	Executive Vice President and Chief Financial Officer
Bradford Casper	Executive Vice President and Chief Commercial Officer
Michael Winkler	Executive Vice President and Chief Operating Officer
Billy Ray Smith[1]	Senior Vice President and President, Oil & Gas Proppants

(1) Mr. Smith became an executive officer in January 2018; consequently, certain of his compensation history may not be included in all compensation tables and disclosures.

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COMPENSATION DISCUSSION AND ANALYSIS

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.

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COMPENSATION DISCUSSION AND ANALYSIS

Consistent with the continued challenging market conditions that negatively impacted stock prices for many companies in our industry and across the broad sector of companies whose financial results are significantly influenced by the oil and gas markets, we have experienced significant stock price volatility over the past several years culminating with negative TSR over the one-, three-, and five-year periods ending December 31, 2018. The table below summarizes our TSR over these three time periods—all of which culminate with December 31, 2018—relative to the peer group against which we benchmarked our executive compensation:

2019 TSR TABLE

Benchmark	**1-Year TSR (12/29/2017 - 12/31/2018)**		**3-Year TSR (12/31/2015 - 12/31/2018)**		**5-Year TSR (12/31/2013 - 12/31/2018)**	
2018 Proxy Peer Group Median[(1)]	-42.3	%	2.4	%	-16.2	%
U.S. Silica Holdings, Inc	**-68.3**	**%**	**-44.1**	**%**	**-68.3**	**%**
U.S. Silica Percentile Rank Relative to 2018 Proxy Peer Group Median	*3rd percentile*		*19th percentile*		*18th percentile*	

(1) The companies included in the 2018 proxy peer group are listed below in Benchmarking. The data shown above excludes Fairmount Santrol Holdings Inc., because it merged with Unimin Corporation in May 2018, and the combined entity was renamed Covia Holdings Corporation in June 2018. TSR data for Summit Materials, Inc. is excluded for only the 5-year TSR period because the company began trading publicly in December 2014.

Although we believe we performed well in the challenging market conditions, achieving record performance in several areas, we did not meet our target level of performance for Adjusted EBITDA or relative TSR. As a result, our NEOs incentive compensation paid out below target for ABIP awards in 2018 as well as certain performance-based equity incentives with payouts based on our 2016 – 2018 performance cycle, discussed in *The Elements and Application of Our Executive Compensation Program—Equity-Based Incentives* below.

OUR EXECUTIVE COMPENSATION PRINCIPLES AND GOVERNANCE

The Board of Directors believes that the Company s long-term success depends on the talents of our employees, and the Company s executive compensation program plays a significant role in our ability to attract, retain and motivate the highest quality workforce. The Compensation Committee has designed our compensation program to directly link executive compensation to performance, in order to align the interests of the Company s executive officers with those of its stockholders. At our 2018 Annual

Meeting of Stockholders, we received significant support from our stockholders for our 2017 executive compensation program, with approximately 98% of the votes cast in favor of an advisory vote to approve our executive compensation, which we refer to as a say-on-pay proposal. We believe this represents a strong indication of our stockholders support for our compensation program as a whole. In light of last year s support, our 2018 executive compensation program is largely unchanged.

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COMPENSATION DISCUSSION AND ANALYSIS

As reflected below, a significant portion of the 2018 compensation of our CEO and other NEOs has been allocated among cash and equity incentive compensation contingent upon the achievement of financial performance or other specific goals.

(1) Consists of base salary paid in 2018 (as reported in the Salary column of the 2018 Summary Compensation Table), 2018 annual incentive awards paid in March 2019 (as reported in the Non-Equity Incentive Plan Compensation column of the 2018 Summary Compensation Table), long-term incentive awards granted in April 2018 (as reported in the Stock Awards column of the 2018 Summary Compensation Table) and other compensation (as reported in the All Other Compensation column of the 2018 Summary Compensation Table).

In short, our compensation program for all executive officers is based on the following core principles:

Pay for Performance - Individuals in leadership roles are compensated based on a combination of total company, segment or business unit and individual performance factors. The objectives and results for 2018 for our NEOs are discussed in more detail below in *The Elements and Application of Our Executive Compensation Program.*

Pay Competitively - We are committed to providing a total compensation package designed to retain our high-caliber performers and attract superior industry leaders to our Company. To achieve this goal, we compare our pay practices and overall pay levels with oil and gas, mining and logistics organizations as discussed below in *Benchmarking Against Our Peers.*

Pay Equitably - We believe that it is important to apply generally consistent guidelines for all executive officer compensation. In order to deliver equitable pay levels, the Compensation Committee considers depth and scope of accountability, complexity of responsibility, qualifications and executive performance, both individually and collectively as a team.

The Compensation Committee believes it is important to complement these core compensation principles with good governance and executive compensation best practices to

ensure our stockholder interests and business strategy are aligned and balanced and risks related to compensation levels and incentives are mitigated. Specifically, our executive compensation program is governed by the following:

Clawback Policy. The Board has adopted a clawback policy providing that the Compensation Committee may recoup any performance–based compensation (cash or equity) paid or payable to any executive officer who the Committee determines has engaged in fraud, willful misconduct or gross negligence that directly caused or contributed to a material restatement of the Company s financial results. The policy allows the Board to recoup annual and long-term performance-based incentive compensation paid within 12 months of a restatement if, in the Committee s sole and reasonable discretion, the incentive compensation would not have been paid, or paid at a lower amount, had it been based on the restated financial results. To date, no executive officer has been subject to any clawbacks under the policy.

Stock Ownership Guidelines. We place a premium on aligning the interests of our executives with those of our stockholders. Our Stock Ownership Guidelines require executives to hold equity valued at a multiple of base salary, with a minimum of 1.5 x base salary for some executive management team members, 2 x base salary for the CFO and COO, and 4 x base salary for

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COMPENSATION DISCUSSION AND ANALYSIS

the CEO. The Compensation Committee reviews compliance with the guidelines annually. Employees have five years from the date they become subject to these guidelines to comply. See the further description in *Executive Stock Ownership Requirements* below.

Limited Perquisites. Perquisites provided to executives are limited and reviewed annually by the Compensation Committee.

Independent Compensation Consultant. The Compensation Committee retains its own independent compensation consultant.

Double-Trigger Change in Control. We include a double-trigger change in control provision in our Change in Control Severance Plan (CIC Plan), discussed under *The Elements and Application of Our Executive Compensation Program—Additional Executive Benefits and Perquisites*, so that participants will receive severance benefits only if both a change in control and a qualifying termination occur.

Compensation Risk Assessment. Our management, with assistance from the Compensation Committee s compensation consultant, annually conducts a comprehensive analysis of the risk profile of our employee and executive compensation policies and programs.

Tax and Accounting Policies. The Tax Cuts and Jobs Act enacted in December of 2017 (TCJA) amended certain aspects of Section 162(m) of the Internal Revenue Code (IRC), including to repeal the exclusion under that section of certain performance-based compensation from the $1 million limit on tax deductibility for compensation paid to our NEOs in 2018 and future years. Accordingly, with respect to compensation granted or awarded after November 2017, the availability of the exclusion under Section 162(m) is no longer a consideration with respect to determining which elements of compensation are to be paid, and how they are weighted. For incentive awards that were outstanding prior to the effective date of the TCJA, to the extent they qualify as grandfathered awards under Section 162(m), we currently intend to administer them in accordance with

Section 162(m) to preserve their tax deductibility to the extent possible or desirable. Many other IRC provisions (including Section 409A), SEC regulations and accounting rules affect the payment of executive compensation and are generally taken into consideration as programs are developed.

NO Guaranteed Bonuses. We do not provide guaranteed annual bonuses to any of our executive officers.

NO Pension Plan. We do not provide benefits under any qualified or non-qualified pension plans or other post-employment defined benefit plans to our executive officers.

NO Special Tax Gross-ups. We do not provide tax gross-ups on perquisites received by our executive officers, except for tax gross-up on relocation benefits, which are provided to all employees under the Company s Relocation Policy.

NO Hedging; Limited Pledging. Our insider trading policy prohibits all employees, including the NEOs, from short selling Company securities as well as transacting in publicly-traded Company options, warrants, puts, call or similar instruments. Additionally, all employees, including NEOs, are prohibited from using our stock in any hedging activities. Employees may not pledge our stock as collateral or hold it in a margin account without obtaining approval from the General Counsel or, if such an officer has been appointed, Chief Compliance Officer. This policy, together with the Stock Ownership Guidelines discussed above, helps ensure that our NEOs and other executives remain subject to the risks, as well as the rewards, of stock ownership.

NO Option Repricing Reloads or Buyouts. Our Amended and Restated 2011 Incentive Compensation Plan does not allow the repricing or cash buyout of stock options or stock appreciation rights, reload provisions in stock option grants or the payment of dividends on unvested performance shares, and requires all awards to have at least a one-year vesting period.

BENCHMARKING AGAINST OUR PEERS

We believe that total compensation opportunities for our executive officers (including the NEOs) should be competitive with opportunities for executive officers in similar positions, with similar experience and with similar responsibilities in our marketplace. We generally seek to

align base pay for our executives with the median base pay for similar executives at a peer group of companies, and calibrate variable, or at-risk, compensation to provide compensation opportunities above this benchmark when Company and individual performance are strong, while

COMPENSATION DISCUSSION AND ANALYSIS

providing for consequences when performance targets are not met. The Compensation Committee engages its independent compensation consultant on executive compensation matters, including compiling and presenting comparative data and recommending compensation structures and levels. For that purpose, since 2013 the

Compensation Committee has retained Exequity LLP (Exequity) as its executive compensation consultant. The Compensation Committee determined Exequity s engagement did not create any conflicts of interest in 2018 when applying the independence factors enumerated in applicable SEC and NYSE rules.

With the assistance of Exequity, the Compensation Committee established the following peer group for 2018 (the 2018 proxy peer group) to benchmark the components of the total direct compensation of our NEOs. The Compensation Committee utilized information from Exequity s July 2017 report to establish the 2018 proxy peer group, and sought to include companies it believed were competitors for talent, had a similar business mix, scope of operations and market capitalization as the Company as of the time this peer group was established.

Proxy Peer Group

Compass Minerals International, Inc.	Forum Energy Technologies, Inc.	Oil States International, Inc.
Core Laboratories N.V.*	Graco, Inc.*	Old Dominion Freight Line, Inc.
Dril-Quip Inc.	IDEX Corporation*	PDC Energy Inc.
Eagle Materials, Inc.	Innospec Inc.*	Summit Materials, Inc.*
Fairmount Santrol Holdings, Inc.	Knight-Swift Transportation Holdings Inc.*	U.S. Concrete, Inc.*
Ferro Corporation	Minerals Technologies Inc.	

* New to peer group for 2018

Changes to Peer Group

The Compensation Committee removed six companies from the 2017 proxy peer group because: (i) Clayton Williams Energy, Inc. was acquired by Noble Energy, Inc. in July 2017 and the combined business mix was no longer comparable to us; (ii) Headwaters Inc. was acquired by Boral Industries, Inc. in May 2017 and the combined business mix was no longer comparable to us; (iii) Oasis Petroleum Inc. is no longer sufficiently comparable from a business standpoint; and (iv) the remaining three are no longer sufficiently comparable in terms of market capitalization, specifically, U.S. Silica s market capitalization was approximately $2.8 billion as of Exequity s July 2017 report while CARBO Ceramics Inc. ($177 million), Pioneer Energy Services Corp. ($151 million), and Tetra Technologies, Inc. ($310 million) each had the measurably smaller market capitalization listed.

For 2018, the Compensation Committee replaced the companies noted above with the following seven

companies to create a peer group we believed would better reflect our evolving business mix, scope of operations and market capitalization: (i) Compass Minerals International, Inc.; (ii) Graco Inc.; (iii) IDEX Corporation; (iv) Knight-Swift Transportation Holdings Inc.; (v) Old Dominion Freight Line, Inc.; (vi) Summit Materials, Inc.; and (viii) Tronox Limited.

As of October 2017, when Exequity completed its study of target total direct compensation levels for the 2018 proxy peer group, the median market capitalization and most recently-reported trailing four quarter revenues for the 2018 proxy peer group were approximately $2.5 billion and $1.2 billion, respectively. Our market capitalization and most recently-reported trailing four quarter revenues at the time the study was completed were $2.5 billion (53rd percentile relative to the 2018 proxy peer group) and $855 million (30th percentile relative to the 2018 proxy peer group), respectively.

Survey Peer Group

The Compensation Committee also reviewed a group of 31 companies in the energy, industrial materials, and logistics industries that participated in Equilar s survey of

compensation for key executive positions (the 2018 survey peer group) to provide additional context for 2018 executive compensation-related discussions.

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COMPENSATION DISCUSSION AND ANALYSIS

Analysis of Benchmark Data

Exequity provided market compensation data using the above-referenced peer groups established by the Compensation Committee. Exequity then analyzed the benchmark data and provided advice and insight to the Compensation Committee regarding competitive pay levels for the NEOs. At the end of 2017 and the beginning of 2018, the Compensation Committee reviewed the benchmark data from the 2018 proxy peer group and 2018 survey peer group for the CEO, and the Compensation Committee and the CEO reviewed the benchmark data from those peer groups for the other NEOs, at the 25th, 50th and 75th percentiles as a reference for determining the 2018 base salary, 2018 ABIP target awards and 2018 long-term incentive target awards for our NEOs.

The Compensation Committee intends to provide target total compensation opportunities for our executives that are generally comparable to median target total compensation opportunities among comparable executives in the 2018 proxy peer group and 2018 survey peer group, and to calibrate variable compensation so that actual total compensation realized would be (i) higher than peer median pay opportunities in the event that performance is strong with respect to the Company and individual, and (ii) lower than median pay opportunities in the event that performance is weak with respect to the Company and individual.

THE ELEMENTS AND APPLICATION OF OUR EXECUTIVE COMPENSATION PROGRAM

The elements of our 2018 executive compensation program are:

Base Salary
Performance-Based Cash Incentives Equity-Based Incentives
Limited Executive Benefits and Perquisites

The Compensation Committee weighs each of these elements, our general compensation principles and practices as well as total compensation targets and levels 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 thus 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 2018 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.

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COMPENSATION DISCUSSION AND ANALYSIS

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

2018 Base Salary Increases

Officer	2017	2018	% Increase	Rationale
Bryan A. Shinn	$ 675,000	$ 750,000	+11.1 %	Competitive market adjustment and annual merit/performance review process
Donald A. Merril	$ 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:

Range of 2018 ABIP Payout Opportunity

Name	Minimum	Threshold	Target	Maximum
Bryan A. Shinn	$ 0	$ 375,000	$ 750,000	$ 1,500,000
Donald A. Merril	$ 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. Merril	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:

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COMPENSATION DISCUSSION AND ANALYSIS

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	