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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-35416

U.S. Silica Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of Incorporation or Organization)**	**26-3718801** **(I.R.S. Employer Identification No.)**

8490 Progress Drive, Suite 300
Frederick, Maryland 21701
(Address of Principal Executive Offices) (Zip Code)

(301) 682-0600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 28, 2014, 53,758,092 shares of common stock, par value $0.01 per share, of the registrant were outstanding.

U.S. Silica Holdings, Inc.
FORM 10-Q
For the Quarter Ended March 31, 2014

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	March 31, 2014 (unaudited)	December 31, 2013 (audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 85,700	$ 78,256
Short-term investments	75,068	74,980
Accounts receivable, net	97,369	75,207
Inventories, net	51,171	64,212
Prepaid expenses and other current assets	13,890	11,104
Deferred income taxes, net	18,022	17,737
Total current assets	341,220	321,496
Property, plant and mine development, net	443,406	442,116
Debt issuance costs, net	5,035	5,255
Goodwill	68,403	68,403
Trade names	10,436	10,436
Customer relationships, net	6,018	6,120
Other assets	8,659	9,635
Total assets	$ 883,177	$ 863,461
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Book overdraft	$ 2,529	$ 4,659
Accounts payable	46,431	37,376
Dividends payable	26	6,709
Accrued liabilities	10,879	10,823
Accrued interest	41	41
Current portion of long-term debt	3,489	3,488
Income tax payable	2,648	1,037
Total current liabilities	66,043	64,133
Long-term debt	367,090	367,963
Liability for pension and other post-retirement benefits	36,189	36,802
Deferred income taxes, net	72,762	71,318
Other long-term obligations	14,445	13,951
Total liabilities	556,529	554,167
Stockholders' Equity:		
Common stock	536	534
Preferred stock	—	—
Additional paid-in capital	180,340	174,799
Retained earnings	149,630	137,978
Treasury stock, at cost	—	—
Accumulated other comprehensive loss	(3,858)	(4,017)
Total stockholders' equity	326,648	309,294
Total liabilities and stockholders' equity	$ 883,177	$ 863,461

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; dollars in thousands, except per share amounts)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Sales	$180,095	$122,311
Cost of goods sold (excluding depreciation, depletion and amortization)	126,770	74,412
Operating expenses		
Selling, general and administrative	15,445	12,404
Depreciation, depletion and amortization	9,589	8,278
	25,034	20,682
Operating income	28,291	27,217
Other (expense) income		
Interest expense	(3,808)	(3,576)
Other income, net, including interest income	38	122
	(3,770)	(3,454)
Income before income taxes	24,521	23,763
Income tax expense	(6,150)	(6,486)
Net income	$ 18,371	$ 17,277
Earnings per share:		
Basic	$ 0.34	$ 0.33
Diluted	$ 0.34	$ 0.32

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited; dollars in thousands)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Net income	$18,371	$17,277
Other comprehensive income:		
Unrealized gain (loss) on derivatives (net of tax of $(12) and $52 for the three months ended March 31, 2014 and 2013, respectively)	(19)	81
Unrealized gain (loss) on investments (net of tax of $19 and $0 for the three months ended March 31, 2014 and 2013, respectively)	29	—
Pension and other post-retirement benefits liability adjustment (net of tax of $95 and $218 for the three months ended March 31, 2014 and 2013, respectively)	149	341
Comprehensive income	$18,530	$17,699

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(unaudited; dollars in thousands)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2013	$ 534	$ —	$174,799	$137,978	$ (4,017)	$ 309,294
Net Income	—	—	—	18,371	—	18,371
Other comprehensive income, net of tax	—	—	—	—	159	159
Proceeds from options exercised	2	229	2,773	—	—	3,004
Shares withheld for employee taxes related to vested restricted stock	—	(229)	—	—	—	(229)
Cash dividends declared ($0.125 per share of common stock)	—	—	—	(6,719)	—	(6,719)
Equity-based compensation	—	—	1,330	—	—	1,330
Excess tax benefit from equity-based compensation	—	—	1,438	—	—	1,438
Balance at March 31, 2014	$ 536	$ —	$180,340	$149,630	$ (3,858)	$ 326,648

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited; dollars in thousands)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Operating activities:		
Net income	$ 18,371	$ 17,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	9,589	8,278
Debt issuance amortization	220	131
Original issue discount amortization	66	42
Deferred income taxes	1,160	1,029
Deferred revenue	—	(1,917)
Equity-based compensation	1,330	678
Excess tax benefit from equity-based compensation	(1,438)	(96)
Other	1,730	(880)
Changes in assets and liabilities:		
Accounts receivable	(22,985)	(5,688)
Inventories	13,041	(2,941)
Prepaid expenses and other current assets	(2,786)	(948)
Income taxes	3,049	(14,351)
Accounts payable and accrued liabilities	9,111	(6,427)
Accrued interest	—	152
Liability for pension and other post-retirement benefits	(151)	749
Net cash provided by (used in) operating activities	30,307	(4,912)
Investing activities:		
Capital expenditures	(10,606)	(22,707)
Net cash used in investing activities	(10,606)	(22,707)
Financing activities:		
Dividends paid	(13,402)	—
Proceeds from options exercised	3,004	788
Excess tax benefit from equity-based compensation	1,438	96
Tax payments related to shares withheld for vested restricted stock	(229)	—
Repayment of long-term debt	(938)	(650)
Change in book overdraft	(2,130)	(1,014)
Change in revolving credit facility	—	10,551
Principal payments on capital lease obligations	—	(255)
Net cash provided by (used in) financing activities	(12,257)	9,516
Net increase (decrease) in cash and cash equivalents	7,444	(18,103)
Cash and cash equivalents, beginning of period	78,256	61,022
Cash and cash equivalents, end of period	$ 85,700	$ 42,919
Non-cash financing activities:		
Capital lease obligations incurred to acquire assets	$ —	$ 744
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 3,824	$ 3,196
Taxes	$ 2,043	$ 20,076

The accompanying notes are an integral part of these financial statements.

U.S. SILICA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited; dollars in thousands, except per share amounts)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying Condensed Consolidated Financial Statements (the “Financial Statements”) of U.S. Silica Holdings, Inc. (“Holdings,” and together with its subsidiaries “we,” “us” or the “Company”) included in this Quarterly Report on Form 10-Q , have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission (“SEC”). They do not contain certain information included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013; therefore, the interim Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. In the opinion of management, all adjustments necessary for a fair presentation of the Financial Statements have been included. Such adjustments are of a normal, recurring nature. We have reclassified certain immaterial amounts in the prior years’ consolidated statement of cash flows within operating activities to conform to the current year presentation. These reclassifications had no effect on previously reported net cash flows from operations.

In order to make this report easier to read, we refer throughout to (i) our Consolidated Balance Sheets as our “Balance Sheets,” (ii) our Consolidated Statements of Operations as our “Income Statements,” and (iii) our Consolidated Statements of Cash Flows as our “Cash Flows.”

Unaudited Interim Financial Statements

The accompanying Balance Sheet as of March 31, 2014, the Income Statements for the three months ended March 31, 2014 and 2013; the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013; the Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013; and other information disclosed in the related notes are unaudited. The Balance Sheet as of December 31, 2013 was derived from our audited consolidated financial statements as included in our 2013 Annual Report.

Use of Estimates and Assumptions

The preparation of the Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production amortization calculations; environmental, reclamation and closure obligations; estimates of recoverable minerals; estimates of allowance for doubtful accounts; estimates of fair value for certain reporting units and asset impairments (including impairments of goodwill and other long-lived assets); write-downs of inventory to net realizable value; equity-based compensation expense; post-employment, post-retirement and other employee benefit liabilities; valuation allowances for deferred tax assets; reserves for contingencies and litigation; and the fair value and accounting treatment of financial instruments including derivative instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

Recently Adopted Accounting Pronouncements

No recently adopted or new accounting pronouncements have had, or are expected to have, a material effect on our financial position, results of operations, or cash flows during the three months ended March 31, 2014.

NOTE B—EARNINGS PER SHARE

Basic income per common share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income per common share is computed similarly to basic income per common share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. In accordance with the applicable accounting guidance for calculating earnings per share, we did not include in our calculation of diluted earnings per share for the applicable periods stock options where the exercise prices were greater than the average market prices. We did not have significant stock options that were antidilutive for the three months ended March 31, 2014 and 2013, respectively.

	Three Months Ended March 31,	
	2014	2013
Net income	$18,371	$17,277
Less: net income allocated to outstanding restricted stockholders	(42)	(26)
Net income allocated to common stockholders	$18,329	$17,251
Weighted-average common stock		
Outstanding	53,505	52,866
Outstanding assuming dilution	54,054	53,131

NOTE C—CAPITAL STRUCTURE AND ACCUMULATED COMPREHENSIVE INCOME

Common Stock

Our Amended and Restated Certificate of Incorporation, authorizes up to 500,000,000 shares of common stock, par value of $0.01. Subject to the rights of holders of any series of preferred stock, all of the voting power of the stockholders of Holdings shall be vested in the holders of the common stock. There were 53,733,092 shares of common stock issued and outstanding at March 31, 2014. As of March 31, 2013, there were 52,987,227 shares issued and outstanding. On February 6, 2014, our Board of Directors declared a quarterly cash dividend of $0.125 per share to common stockholders of record at the close of business on March 14, 2014. The dividend payment was made to our transfer agent on March 31, 2014, and was paid to shareholders on April 1, 2014 by our transfer agent.

Management and our Board of Directors remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends and other distributions in cash, stock, or property by Holdings in the future will be at the discretion of our Board of Directors and will be dependent on then-existing conditions, including our business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions including restrictive covenants contained in our debt agreements, and other factors. Additionally, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness.

Preferred Stock

Our Amended and Restated Certificate of Incorporation authorizes our Board of Directors to issue up to 10,000,000 shares, in the aggregate, of preferred stock, par value of $0.01 in one or more series and to fix the preferences, powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption rights and liquidation preference and to fix the number of shares to be included in any such series without any further vote or action by our stockholders.

There are no shares of preferred stock issued or outstanding at March 31, 2014 and 2013. At present, we have no plans to issue any preferred stock.

Share Repurchase Program

On June 11, 2012, our Board of Directors authorized us to repurchase up to $25.0 million of our common stock. The authorization was initially for a period of 18 months, concluding on December 11, 2013, but on November 4, 2013, our Board of Directors extended the repurchase program through December 11, 2014. We are authorized to repurchase, from time to time, shares of our outstanding common stock on the open market or in privately negotiated transactions. Stock repurchases will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified or discontinued at any time and we have no obligation to repurchase any additional amount of our common stock under the program. We intend to make all repurchases in compliance with applicable regulatory guidelines and to administer the plan in accordance with applicable laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. As part of the program, as of March 31, 2014, we have repurchased 100,000 shares of our common stock at an average price of $10.72 and are authorized to repurchase up to an additional $23.9 million of our common stock. As of March 31, 2014, all of the 100,000 shares repurchased to date have been re-issued to satisfy employee option exercises.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) consists of fair value adjustments associated with cash flow hedges and accumulated adjustments for net experience losses and prior service cost related to employee benefit plans. The following table presents the changes in accumulated other comprehensive income by component during the three months ended March 31, 2014:

	For the Three Months Ended March 31, 2014			
	Unrealized gain/(loss) on cash flow hedges	Unrealized gain/(loss) on short-term investments	Pension and other post-retirement benefits liability	Total
Beginning Balance	$ (79)	$ (27)	$ (3,911)	$(4,017)
Other comprehensive income (loss) before reclassifications	(21)	29	—	8
Amounts reclassed from accumulated other comprehensive income	2	—	149	151
Ending Balance	$ (98)	$ 2	$ (3,762)	$(3,858)

The following table presents the reclassifications out of accumulated other comprehensive income (loss) during the three months ended March 31, 2014:

Details about accumulated other comprehensive income	Amount reclassified from accumulated other comprehensive income	Affected line item in the statement of operations
Gains and losses on cash flow hedges		
Interest rate contracts	$ 3	Interest expense
	(1)	Tax expense
	$ 2	Net of tax
Amortization of postretirement benefits liability		
Actuarial gains/(losses)	$ 203	(1)
Prior service cost	41	(1)
	$ 244	Total before tax
	(95)	Tax expense
	149	Net of tax
Total reclassifications for the period	$ 151	Net of tax

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note M—Pension and Post-Retirement Benefits).

NOTE D—ACCOUNTS RECEIVABLE

At March 31, 2014 and December 31, 2013, accounts receivable consisted of the following:

	March 31, 2014	December 31, 2013
Trade receivables	$ 99,871	$ 76,223
Less: Allowance for doubtful accounts	(3,199)	(2,376)
Net trade receivables	96,672	73,847
Other receivables	697	1,360
Total accounts receivable	$ 97,369	$ 75,207

The increase of $23.6 million in trade receivables is mainly driven by the sales increase for the three months ended March 31, 2014.

NOTE E—INVENTORIES

At March 31, 2014 and December 31, 2013, inventories consisted of the following:

	March 31, 2014	December 31, 2013
Supplies	$ 15,936	$ 15,576
Raw materials and work in process	8,133	11,728
Finished goods	27,102	36,908
Total inventories	$ 51,171	$ 64,212

Inventories include raw stockpiles and silica and other industrial sand available for shipment, as well as spare parts and supplies for routine facilities maintenance. We value inventory at the lower of cost or market.

Cost is determined using the first-in, first-out and average cost methods. Finished goods decreased $9,806 to $27,102 as of March 31, 2014 compared to $36,908 as of December 31, 2013, primarily due to a decrease of inventory held at transloads.

NOTE F—PROPERTY, PLANT AND MINE DEVELOPMENT

At March 31, 2014 and December 31, 2013, property, plant and mine development consisted of the following:

	March 31, 2014	December 31, 2013
Mining property and mine development	$ 164,609	$ 164,609
Asset retirement cost	7,275	7,275
Land	25,738	25,738
Land improvements	31,068	31,093
Buildings	36,448	36,311
Machinery and equipment	264,728	263,304
Furniture and fixtures	1,331	1,131
Construction-in-progress	34,849	25,974
	566,046	555,435
Accumulated depletion, depreciation and amortization	(122,640)	(113,319)
Total property, plant and mine development, net	$ 443,406	$ 442,116

Depreciation expense, including depletion and amortization, recognized during the three months ended March 31, 2014 and 2013 was $9.6 million and $8.3 million, respectively. The amount of interest costs capitalized in property, plant and equipment was $201 and $128 for the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014, we hold no assets under a capital lease obligation.

NOTE G—DEBT

At March 31, 2014 and December 31, 2013, debt consisted of the following:

	March 31, 2014	December 31, 2013
Senior secured credit facility:		
Revolver expiring July 23, 2018 (4.75% at March 31, 2014 and December 31, 2013)	$ —	$ —
Term loan facility—final maturity July 23, 2020 (4% at March 31, 2014 and December 31, 2013), net of unamortized original issue discount of $1,609 and $1,674, respectively	370,579	371,451
Total debt	370,579	371,451
Less: current portion	(3,489)	(3,488)
Total long-term portion of debt	$367,090	$ 367,963

Revolving Line-of-Credit

We have a $50 million revolving line-of-credit (the “Revolver”), with zero drawn and $3.5 million allocated for letters of credit as of March 31, 2014, leaving $46.5 million available under Revolver.

Debt Maturities

At March 31, 2014, contractual maturities of long-term debt are as follows:

2014	$ 2,616
2015	3,491
2016	3,493
2017	3,495
2018	3,498
Thereafter	353,986
	$370,579

Our senior secured credit facility is secured by substantially all of our assets and a pledge of the equity interests in certain of our subsidiaries. The facility contains covenants that, among other things, govern our ability to create, incur or assume indebtedness and liens, to make acquisitions or investments, to pay dividends and to sell assets. The facility also requires us to maintain a consolidated total net leverage ratio of no more than 3.75:1.00 as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 25% of the Revolver commitment. As of March 31, 2014, we are in compliance with all covenants in accordance with our senior secured credit facility.

NOTE H—ASSET RETIREMENT OBLIGATIONS

Mine reclamation costs, or future remediation costs for inactive mines, are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

As of March 31, 2014 and December 31, 2013, we had recorded a liability of $9.5 million and $9.4 million in other long-term obligations related to our asset retirement obligation. Changes in the asset retirement obligation during the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, are as follows:

	March 31, 2014	December 31, 2013
Beginning balance	$ 9,378	$ 6,659
Payments	—	—
Accretion	168	456
Revisions of prior estimates	—	2,263
Ending balance	$ 9,546	$ 9,378

NOTE I—FAIR VALUE ACCOUNTING

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quote prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Cash equivalents

Due to the short-term maturity, we believe our cash equivalent instruments at March 31, 2014 and December 31, 2013 approximate their reported carrying values.

Short-Term Investments

In general, the fair value of our short-term investments is based on quoted prices for similar assets in active markets, or for identical assets or similar assets in markets in which there were fewer transactions (Level 2). Money market mutual funds are based on calculated net asset value and are reported in Level 1. Variable rate demand obligations underwritten and remarketed by a financial institution are priced at par value.

Long-Term Debt, including current maturities

We believe that the fair values of our long-term debt, including current maturities, approximates their carrying values and based on their effective interest rates compared to current market rates.

Derivative Instruments

The estimated fair value of our derivative assets (interest rate caps) are recorded at each reporting period and are based upon widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative contract. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. We also incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk as well as that of the respective counterparty in the fair value measurements.

Although we have determined that the majority of the inputs used to value our derivatives fall with Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default of ourselves and our counterparties. However, as of March 31, 2014, we have assessed that the impact of the credit valuation adjustments on the overall valuation of our derivative positions is not significant. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

In accordance with the fair value hierarchy, the following table presents the fair value as of March 31, 2014 of those assets that we measure at fair value on a recurring basis:

	Level 1	Level 2	Total
Short-term investments	$ 386	$74,682	$75,068
Interest rate derivatives	—	74	74
Net asset	$ 386	$74,756	$75,142

NOTE J—SHORT-TERM INVESTMENTS

We have segregated funds into designated accounts with investment brokers who manage our short-term investment portfolio. Those funds are held on an available-for-sale basis and are therefore reported at fair value on the balance sheet.

The following table summarizes our available-for-sale short-term investments as of March 31, 2014:

	Aggregate Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market mutual funds	$ 386	$ —	$ —	$ 386
Fixed income securities:				
Certificates of deposit	25,230	—	(20)	25,210
Commercial paper	14,181	12	—	14,193
Corporate notes and bonds	10,989	—	(7)	10,982
Government agencies	13,987	21	—	14,008
U.S. Treasuries	4,810	—	(1)	4,809
Variable Rate Demand Obligations	5,480	—	—	5,480
Total available-for-sale investments	$75,063	$ 33	$ (28)	$75,068

As of March 31, 2014, we considered the declines in market value of our short-term investment portfolio to be temporary in nature and did not consider any of our investments other-than-temporarily impaired. We typically invest in highly-rated securities, and our investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates, and our intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's cost basis. As of March 31, 2014 and December 31, 2013, we did not recognize any impairment charges.

NOTE K—LEASES

We are obligated under certain operating leases for railroad cars, office space, mining property, mining/processing equipment and transportation and other equipment. Certain operating lease agreements include options to purchase the equipment for fair market value at the end of the original lease term. Future minimum annual commitments under such operating leases at March 31, 2014 are as follows:

2014	$ 27,731
2015	26,780
2016	24,555
2017	22,319
2018	20,910
Thereafter	47,422
Total future lease commitments	$169,717

Expense related to operating leases and rental agreements was $7.1 million and $3.3 million for the three months ended March 31, 2014 and 2013, respectively. The increase was mainly due to new leases for railroad cars.

As of March 31, 2014, we have no obligation under a capital lease. We had an obligation under capital lease of $489 as of March 31, 2013, which was paid in full by December 31, 2013.

In general, the above leases include renewal options and some provide that we pay for all utilities, insurance, taxes and maintenance.

NOTE L—COMMITMENTS AND CONTINGENCIES

Our operating subsidiary, U.S. Silica Company ("U.S. Silica"), has been named as a defendant in various product liability claims alleging silica exposure causing silicosis. During the three months ended March 31, 2014, no new claims were brought against U.S. Silica. As of March 31, 2014, there were 88 active silica-related products liability claims pending in which U.S. Silica is a defendant. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our financial position or results of operations.

For periods prior to 1986, U.S. Silica had insurance policies and an indemnity from a former owner that covered silicosis claims. In the fourth quarter of 2012, U.S. Silica settled all rights under the indemnity and its underlying insurance. The settlement was received during first quarter of 2013. As a result of the settlement, the indemnity and related policies are no longer available to U.S. Silica and U.S. Silica will not seek reimbursement for any defense costs or claim payments. Other insurance policies, however, continue to remain available to U.S. Silica.

We have recorded estimated liabilities for these claims in other long-term obligations as well as estimated recoveries under the remaining insurance policies in other assets on our consolidated balance sheets. As of March 31, 2014 and December 31, 2013, other noncurrent assets included $313 for insurance for third-party products liability claims and other long-term obligations included $1.6 million in third-party products claims liability.

NOTE M—PENSION AND POST-RETIREMENT BENEFITS

We maintain a single-employer noncontributory defined benefit pension plan covering certain employees. Net pension benefit cost recognized for the three months ended March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31,	
	2014	**2013**
Service cost	$ 269	$ 320
Interest cost	1,143	1,049
Expected return on plan assets	(1,255)	(1,265)
Net amortization and deferral	238	476
Net pension benefit costs	$ 395	$ 580

In addition, we provide defined benefit post-retirement healthcare and life insurance benefits to some employees. Net periodic post-retirement benefit cost recognized for the three months ended March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31,	
	2014	**2013**
Service cost	$ 45	$ 58
Interest cost	257	253
Expected return on plan assets	(1)	(1)
Net amortization and deferral	—	74
Net post-retirement costs	$ 301	$ 384

We contributed $0.8 million and $0 to the qualified pension plan during the three months ended March 31, 2014 and 2013, respectively. Total expected employer funding contributions during the fiscal year ending December 31, 2014 are $4.6 million for the pension plan and $1.2 million for the post-retirement medical and life plan.

NOTE N—OBLIGATIONS UNDER GUARANTEES

We have indemnified Travelers Casualty and Surety Company of America ("Travelers") against any loss Travelers may incur in the event that holders of surety bonds, issued on behalf of us by Travelers, execute the bonds. As of March 31, 2014, Travelers had $8.2 million in bonds outstanding for us. The majority of these bonds ($8.1 million) relate to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to such indefinite purposes as licenses, permits, and tax collection.

U.S. Silica is the contingent guarantor of Kanawha Rail Corporation's ("KRC") obligations as lessee of 199 covered hopper railroad cars, which are used by U.S. Silica to ship sand to its customers. KRC's obligation as lessee includes paying monthly rent of $66 until June 30, 2015, maintaining the cars, paying for any cars damaged or destroyed, and indemnifying all other parties to the lease transaction against liabilities including any loss of certain tax benefits. By separate agreement between U.S. Silica and KRC, KRC may, upon the occurrence of certain events, assign the lease obligations to U.S. Silica, but none of these events have occurred.

NOTE O—SEGMENT REPORTING

Our business is organized into two reportable segments, Oil & Gas Proppants and Industrial & Specialty Products, based on end markets. The reportable segments are consistent with how management views the markets that we serve and the financial information reviewed by the chief operating decision maker. We manage our Oil & Gas Proppants and Industrial & Specialty Products businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

An operating segment's performance is primarily evaluated based on segment contribution margin, which excludes certain corporate costs not associated with the operations of the segment. These corporate costs are separately stated below and include costs that are related to functional areas such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources. We believe that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, this measure should be considered in addition to, not a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with generally accepted accounting principles. The other accounting policies of each of the two reporting segments are the same as those in the summary of significant accounting policies.

In the Oil & Gas Proppants segment, we serve the oil and gas recovery market by providing fracturing sand, or "frac sand," which is pumped down oil and natural gas wells to prop open rock fissures and increase the flow rate of oil and natural gas from the wells.

The Industrial & Specialty Products segment consists of over 250 products and materials used in a variety of industries including, container glass, fiberglass, specialty glass, flat glass, building products, fillers and extenders, foundry products, chemicals, recreation products and filtration products.

The following table presents sales and segment contribution margin for the reporting segments and other operating results not allocated to the reported segments for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
Sales:		
Oil & Gas Proppants	$130,584	$ 73,582
Industrial & Specialty Products	49,511	48,729
Total sales	180,095	122,311
Segment contribution margin:		
Oil & Gas Proppants	41,628	36,162
Industrial & Specialty Products	13,187	13,246
Total segment contribution margin	54,815	49,408
Operating activities excluded from segment cost of goods sold	(1,490)	(1,509)
Selling, general and administrative	(15,445)	(12,404)
Depreciation, depletion and amortization	(9,589)	(8,278)
Interest expense	(3,808)	(3,576)
Other income, net, including interest income	38	122
Income (loss) before income taxes	$ 24,521	$ 23,763

Asset information, including capital expenditures and depreciation, depletion, and amortization, by segment is not included in reports used by management in its monitoring of performance and, therefore, is not reported by segment. Goodwill of $68.4 million has been allocated to these segments with $47.7 million assigned to Oil & Gas Proppants and $20.7 million to Industrial & Specialty Products.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the Condensed Consolidated Financial Statements and the accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q as well as the Condensed Consolidated Financial Statements, the accompanying notes and the related Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Overview

We are one of the largest domestic producers of commercial silica, a specialized mineral that is a critical input into a variety of attractive end markets. During our 114 year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 250 products to customers across these markets. In our largest end market, Oil & Gas Proppants, our frac sand is used to stimulate and maintain the flow of hydrocarbons in oil and natural gas wells. This segment of our business is experiencing rapid growth due to recent technological advances in the hydraulic fracturing process, which have made the extraction of large volumes of oil and natural gas from U.S. shale formations economically feasible. Our silica is also used as an economically irreplaceable raw material in a wide range of industrial applications, including glassmaking and chemical manufacturing. Additionally, in recent years a number of attractive new end markets have developed for our high-margin, performance silica products, including high-performance glass, specialty coatings, polymer additives and geothermal energy systems.

As of April 30, 2014, we operate 15 facilities across the United States and control 295 million tons of reserves. We own one of the largest frac sand processing plants in the United States and control approximately 137 million tons of reserves that can be processed to meet American Petroleum Institute (API) frac sand size specifications. Our operations are organized into two segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. Our segments are complementary because our ability to sell to a wide range of customers across end markets allows us to maximize recovery rates in our mining operations, optimize our asset utilization and reduce the cyclicality of our earnings.

Recent Trends and Outlook

U.S. demand for industrial silica has been growing steadily. According to The Freedonia Group, Inc. ("Freedonia"), demand for industrial silica sand grew at a 4% compound annual growth rate ("CAGR") from 2001 to 2011. This increase in demand was driven primarily by hydraulic fracturing, which grew at a 27% CAGR from 2001 to 2011, according to the most recent related Freedonia report dated October 2012. The recovery of the U.S. housing and automotive markets has also positively affected silica related to those markets such as glass, building materials, foundry and fillers and extenders. Trends driving the acceleration in demand include:

- *Increased demand in the oil and gas proppants end market.* The increased demand for frac sand has been driven by the growth in the use of hydraulic fracturing as a means to extract hydrocarbons from shale formations. According to the 2013 Proppant Market Report, PropTester Inc. and KELRIK, LLC, published February 2014, global frac sand demand grew at a 35.5% CAGR from 2008 to 2013. This included 29.3% growth in frac sand demand from 2012 to 2013. Domestic proppant producers are expected to experience annual increases in demand of 11% through 2017, according to the most recent related Freedonia report dated August 2013. We expect continued growth of horizontal drilling. The industry may experience temporary fluctuations in demand and price as the market adjusts to changing supply and demand due to energy pricing fluctuations. We significantly expanded our sales efforts to the frac sand market in 2008 and have since experienced rapid growth in our sales associated with our oil and gas activities.

- *Rebound of demand in industrial end markets and continued growth in specialty end markets.* The economic downturn resulting from the financial crisis negatively impacted demand for our products in industrial and specialty products end markets, most notably in the glassmaking, building products, foundry and chemicals end markets. This drop coincided with a similar drop in key economic demand drivers, including housing starts, light vehicle sales, repair and remodel activity and industrial production. To the extent these demand drivers recover to historical levels, which is difficult to predict given current economic uncertainty, we expect to see a corresponding increase in the demand for commercial silica. In addition, to the extent commercial silica products continue to be used in key alternative energy markets, we anticipate continued volume growth in specialty end markets, such as high performance glass and geothermal energy systems as well as the increased use of commercial silica in new applications such as specialty coatings and polymer additives.

Our Strategy

The key drivers of our growth strategy include:

- *Expand our oil and gas proppants production capacity and product portfolio.* Beginning in the fourth quarter of 2011, we executed several initiatives to increase our frac sand production capacity and augment our proppant product portfolio. At our Ottawa, Illinois facility, we implemented operating improvements and installed a new dryer and six mineral separators to increase our annual frac sand production capacity by 900,000 tons. At our Rockwood, Michigan facility, we added 250,000 tons of annual frac sand production capacity by installing an entirely new processing circuit. In the first quarter of 2013, our new resin-coated sand facility became fully operational, with capacity to resin coat up to 400 million pounds of sand annually. In the second quarter of 2013, our Sparta, Wisconsin facility became fully operational with an annual raw sand production capacity of 1,700,000 tons. Also in 2013, we made an initial investment in a new Greenfield site near Utica, Illinois. We expect this facility to have an annual capacity of approximately 1,500,000 tons of raw frac sand when fully operational by the end of the second quarter of 2014.
- *Increase our presence in industrial and specialty products end markets.* We intend to increase our presence and market share in certain industrial and specialty products end markets that we believe are poised for growth. We will continue to work toward transforming our Industrial & Specialty Product segment from a commodity business to a more value-driven approach by developing capabilities and products that assist in enabling us to increase our presence in larger, more profitable markets.
- *Optimize product mix and further develop value-added capabilities to maximize margins.* We continue to actively manage our product mix at each of our plants to ensure we maximize our profit margins. This requires us to use our proprietary expertise in balancing key variables, such as mine geology, processing capacities, transportation availability, customer requirements and pricing. We expect to continue investing in ways to increase the value we provide to our customers by expanding our product offerings, increasing our transportation assets, improving our supply chain management, upgrading our information technology, and creating a world class customer service model.
- *Expand our supply chain network and leverage our logistics capabilities to meet our customers' needs in each strategic oil and gas basin.* We continue to expand our transload network to ensure product is available to meet the growing in-basin needs of our customers. This approach allows us to provide strong customer service and puts us in a position to take advantage of opportunistic spot market sales. Our plant sites are strategically located to provide access to all Class I railroads, which enables us to cost effectively send product to each of the strategic basins in North America. We can ship product by truck, barge and rail with an ability to connect to short-line railroads as necessary to meet our customers' evolving in-basin product needs. We believe that our supply chain network and logistics capabilities are a competitive advantage that enables us to provide superior service for our customers. For example, in 2013, we opened our San Antonio, Texas unit-train receiving transload facility, which was built in partnership with BNSF railroad to support the Eagle Ford market. Additionally, we have

entered into an agreement with Union Pacific Railroad to build a second transload facility in Odessa, Texas, which is expected to be fully operational by the end of 2014. We will continue to make strategic investments and develop partnerships with transload operators and transportation providers that will enhance our portfolio of supply chain services that we can provide to customers. In 2013, we signed a multi-year agreement with Wildcat Minerals LLC ("Wildcat") which provides us with potential sand storage and rail capacity at 19 of Wildcat's sand storage facilities, located near several major unconventional oil and gas shale basins. We now have in-basin storage capacity at 33 transloads located near all of the major shale basins in the United States.

- *Evaluate both Greenfield and Brownfield expansion opportunities and other acquisitions.* We will continue to leverage our reputation, processing capabilities and infrastructure to increase production, as well as explore other opportunities to expand our reserve base. We may accomplish this by developing Greenfield projects, where we can capitalize on our technical knowledge of geology, mining and processing and our strong reputation within local communities. For instance, we are evaluating the potential development of a Greenfield project near Fairchild, Wisconsin, which, depending on market conditions, could become operational as early as late 2015 and eventually add 3,000,000 tons of annual frac sand capacity. Our primary objective is to acquire assets complementary to our Oil & Gas Proppants segment, with a focus on mining, processing and logistics to further enhance our market presence. Some of these assets have differing levels of frac sand quality. We prioritize acquisitions which provide opportunities to realize synergies (and, in some cases, the acquisition will only be accretive assuming synergies), including entering new geographic and frac sand product markets, acquiring attractive customer contracts, and improving operations. Additionally, we may pursue other opportunistic acquisitions, taking advantage of our asset footprint, our management's experience with high-growth businesses and our strong customer relationships. We may also evaluate international acquisitions as unconventional oil and natural gas drilling expands globally.
- *Maintain financial strength and flexibility.* We intend to maintain financial strength and flexibility to enable us to pursue acquisitions and new growth opportunities as they arise. As of March 31, 2014, we had $85.7 million of cash on hand, $75.1 million in short-term investments and $46.5 million of availability under the Revolver.

How We Generate Our Sales

We derive our sales by mining and processing minerals that our customers purchase for various uses. Our sales are primarily a function of the price per ton realized and the volumes sold. We invoice the majority of our clients on a per shipment basis, although for some larger customers, we consolidate invoices weekly or monthly. The total amount invoiced reflects product, transportation and additional services as applicable, such as storage and transloading the product from railcars to trucks for delivery to the customer site. Our five largest customers accounted for approximately 39% of total sales during the three months ended March 31, 2014.

We primarily sell our products under short-term price agreements or at prevailing market rates. For a limited number of customers, we sell under long-term, competitively-bid contracts. As of April 30, 2014, we have six take-or-pay supply agreements with six of our customers in the Oil & Gas Proppants segment with initial terms expiring between 2014 and 2017. These agreements define, among other commitments, the volume of product that our customers must purchase, the volume of product that we must provide and the price that we will charge and that our customers will pay for each product. As discussed in Part I, Item 1A, of our 2013 Annual Report, "Risk Factors—A large portion of our sales is generated by our top customers, and the loss of, or significant reduction in, purchases by our largest customers could adversely affect our operations," these customers may not continue to purchase the same levels of product in the future due to a variety of reasons, contract requirements notwithstanding. Prices under these agreements are generally fixed and subject to upward adjustment in response to certain cost increases. As a result, our realized prices may not grow at rates consistent with broader industry pricing. For example, during periods of rapid price growth, our realized prices may grow more slowly than those of competitors, and during periods of price decline, our realized prices may outperform industry averages.

Additionally, at the time the take-or-pay supply agreements were signed, two of these customers provided advance payments for future shipments aggregating $27.0 million. A percentage of these advance payments was recognized as revenue with each ton of applicable product shipped to the customer. Collectively, sales to customers with supply agreements accounted for 33% and 30% of our total company sales during the three months ended March 31, 2014 and 2013, respectively. Although sales under supply agreements, as opposed to short-term price agreements or at prevailing spot market rates, result in us realizing lower margins than we otherwise might during periods of high market prices, we believe such lower margins are offset by the benefits derived from the product mix and sales volume stability afforded by such supply agreements.

The Costs of Conducting Our Business

The principal expenses involved in conducting our business are labor costs, electricity and drying fuel costs, maintenance and repair costs for our mining and processing equipment and facilities and transportation costs. Transportation and related costs include freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs and storage fees. We believe the majority of our operating costs are relatively stable in price, but 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 limit royalty payments.

Additionally, we incur expenses related to our corporate operations, including costs for sales and marketing; research and development; and finance, legal, environmental, health and safety functions of our organization. These costs are principally driven by personnel expenses. As a public company we will continue to incur additional legal, accounting, insurance and other expenses that we had not incurred as a private company, including costs associated with public company reporting requirements. These requirements include compliance with the Sarbanes-Oxley Act as well as other rules implemented by the SEC, and applicable stock exchange rules. Compliance with these rules and regulations substantially increased our legal and financial compliance costs and made certain financial reporting and other activities more time-consuming and costly.

How We Evaluate Our Business

Our management team evaluates our business using a variety of financial and operational metrics. Our business is organized into two segments, Oil & Gas Proppants and Industrial & Specialty Products. We evaluate the performance of these segments based on their volumes sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of the business as a whole, including total volumes sold, average selling price, 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.

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 certain corporate costs not associated with the operations of the segment. These unallocated costs include costs that are related to corporate functional areas such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources.

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered an alternative to measures derived in accordance with GAAP. For more details on the reconciliation of segment contribution margin to its most directly comparable GAAP financial measure, income (loss) before income taxes, see Note O- Segment Reporting to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA. In addition, our Revolver now contains a consolidated total net leverage ratio that 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 25% of the Revolver commitment, which is calculated based on our Adjusted EBITDA. Noncompliance with the financial ratio covenant contained in the Revolver could result in the acceleration of our obligations to repay all amounts outstanding under the Revolver and the Term Loan. Moreover, the Revolver and the Term Loan contained covenants that restricted, 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.

Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative to net income 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 non-recurring charges. 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 income, the most directly comparable GAAP financial measure, to Adjusted EBITDA.

	Three Months Ended March 31,	
	2014	2013
Net income	$18,371	$17,277
Total interest expense, net of interest income	3,873	3,552
Provision for taxes	6,150	6,486
Total depreciation, depletion and amortization expenses	9,589	8,278
EBITDA	37,983	35,593
Non-cash incentive compensation(1)	1,330	678
Post-employment expenses (excluding service costs)(2)	381	586
Other adjustments allowable under our existing credit agreement(3)	2,234	1,930
Adjusted EBITDA	$41,928	$38,787

(1) Includes vesting of incentive equity compensation issued to our employees.

(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. See Note M- Pension and Post-retirement Benefits to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

(3) Reflects miscellaneous adjustments permitted under our existing credit agreement, including such items as expenses related to offerings of our common stock by our former controlling shareholder, business development activities related to our growth and expansion initiatives, one-time litigation fees, expenses related to debt refinancing and employment agency fees.

Results of Operations for the Three Months Ended March 31, 2014 and 2013

Sales

	For the Three Months Ended March 31, 2014	For the Three Months Ended March 31, 2013	Amount Change '14 vs '13	Percent Change '14 vs. '13
Sales				
Oil & Gas Proppants	$ 130,584	$ 73,582	$57,002	77%
Industrial & Specialty Products	49,511	48,729	782	2%
Total Sales	$ 180,095	$ 122,311	$57,784	47%
Tons				
Oil & Gas Proppants	1,335	921	414	45%
Industrial & Specialty Products	975	965	10	1%
Total Tons	2,310	1,886	424	23%

Total sales increased 47% for the three months ended March 31, 2014 compared to the three months ended March 31, 2013, driven by a 23% increase in volume and a 20% increase in average selling price. The increase in total sales was mainly driven by Oil & Gas Proppants sales, which increased 77%: Oil & Gas Proppants sales volume increased 45%, driven by year over year growth in the demand for our frac sands, the average selling price for Oil & Gas Proppants increased 22%, mainly due to higher volumes sold through transloads. Industrial & Specialty Products sales increased 2%, with increased volume of 1% and increased average selling price of 1%.

Cost of Goods Sold

Cost of goods sold increased $52.4 million, or 70%, to $126.8 million for the three months ended March 31, 2014 compared to $74.4 million for the three months ended March 31, 2013. As a percentage of sales, costs of goods sold increased from 61% for the three months ended March 31, 2013 to 70% for the three months ended March 31, 2014. The increase resulted from more tons sold and from higher transportation and related costs. Cost of goods sold as a percentage of sales increased due to additional transportation and handling costs driven by increased sales volume through transloads.

We incurred $74.0 million and $32.4 million of transportation and related costs for the three months ended March 31, 2014 and 2013, respectively. The increase in transportation and related costs incurred was due to increased sales volume through transloads. As a percentage of sales, transportation and related costs increased to 41% from 27% for the three months ended March 31, 2014 and 2013.

We incurred $16.1 million and $14.4 million of operating labor costs for the three months ended March 31, 2014 and 2013, respectively. The increase in labor costs incurred was due to producing and selling more tons. As a percentage of sales, operating labor decreased to 9% from 12% for the three months ended March 31, 2014 and 2013.

We incurred electricity and drying fuel (principally natural gas) costs of $8.5 million for the three months ended March 31, 2014 and $6.2 million for the three months ended March 31, 2013, reflecting higher production volume. As a percentage of sales, electricity and drying fuel costs remained flat at 5% for the three months ended March 31, 2014 and 2013.

We incurred maintenance and repair costs of $6.2 million for the three months ended March 31, 2014 and $4.5 million for the three months ended March 31, 2013, reflecting higher production volume. As a percentage of sales, maintenance and repair costs decreased to 3% from 4% for the three months ended March 31, 2014 and 2013.

Segment Contribution Margin

Oil & Gas Proppants contribution margin increased $5.5 million, or 15%, to $41.6 million for the three months ended March 31, 2014 compared to $36.2 million for the three months ended March 31, 2013. Increases were driven by the following specific factors: increased sales due to an increase in tons of product sold driven by continued year over year growth in demand for our frac sands, as well as an increase in average selling price mainly due to higher volumes sold through transloads, partially offset by increased cost of goods sold as a percentage of sales due to additional transportation and handling costs driven by increased sales through transloads.

Industrial & Specialty Products contribution margin remained at $13.2 million for the three months ended March 31, 2014 and 2013, as increased sales volume and average selling price were offset by increased cost of goods sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $3.0 million, or 24%, to $15.4 million for the three months ended March 31, 2014 compared to $12.4 million for the three months ended March 31, 2013, mainly driven by a $1.0 million increase in compensation expense, including awards of equity instruments to certain management and employees, and a $0.8 million increase in bad debt expense. Business development expense was $1.8 million and $1.3 million respectively for the three months ended March 31, 2014 and 2013. In total, our selling, general and administrative costs represented approximately 9% and 10% of sales during the three months ended March 31, 2014 and 2013, respectively.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense was $9.6 million and $8.3 million for the three months ended March 31, 2014 and 2013, respectively. Year over year increases have been driven by continued capital spending associated with our growth and capacity expansion initiatives combined with increased depletion due to additional volume of mined silica sands. We expect depreciation, depletion and amortization expense to continue to grow due to anticipated capital spending in 2014. Depreciation, depletion and amortization costs represented approximately 5% and 7% of our sales during the three months ended March 31, 2014 and 2013, respectively.

Operating Income

Operating income increased $1.1 million, or 4%, to $28.3 million for the three months ended March 31, 2014 compared to $27.2 million for the three months ended March 31, 2013 due to a 47% increase in sales, partially offset by a 70% increase in cost of goods sold and a 21% increase in operating expenses.

Interest Expense

Interest expense increased $0.2 million, or 6%, to $3.8 million for the three months ended March 31, 2014 compared to $3.6 million for the three months ended March 31, 2013 due to an increase in debt principal, partially offset by a decrease in our interest rate.

Provision for Income Taxes

The provision for income taxes decreased $0.3 million, or 5%, to $6.2 million for the three months ended March 31, 2014, compared to $6.5 million for the three months ended March 31, 2013 driven by a lower effective tax rate, partially offset by increased pretax book income. The effective tax rate was 25% and 27% for the three months ended March 31, 2014 and 2013, respectively.

Historically, our actual effective tax rates have been lower than the statutory effective rate primarily due to the benefit received from statutory percentage depletion allowances. The deduction for statutory percentage depletion does not necessarily change proportionately to changes in income before income taxes.

Net Income/Loss

Net income was $18.4 million and $17.3 million for the three months ended March 31, 2014 and 2013, respectively. The year over year increase is due to the factors noted above.

Liquidity and Capital Resources

Overview

Our principal liquidity requirements have historically been to service our debt, to meet our working capital, capital expenditure and mine development expenditure needs, to return cash to our stockholders, and to finance acquisitions. We have historically met our liquidity and capital investment needs with funds generated through operations. We have historically funded our acquisitions through borrowings under our credit facilities and equity investments. Our working capital is the amount by which current assets exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. As of March 31, 2014, our working capital was $275.2 million and we had $46.5 million of availability under the Revolver.

We believe that cash generated through operations and our financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures, scheduled debt payments for at least the next 12 months and any dividends declared such as the one declared by our Board on February 6, 2014 and paid to our transfer agent on March 31, 2014.

Management and the Board remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends and other distributions in cash, stock, or property in the future will be at the discretion of the Board and will be dependent on then-existing conditions, including our business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions including restrictive covenants contained in debt agreements, and other factors. Additionally, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness.

Cash Flow Analysis

A summary of operating, investing and financing activities is shown in the following table:

	For the Three Months Ended March 31,		Percent Change
	2014	2013	’14 vs. ‘13
Net cash provided by (used in):			
Operating activities	$ 30,307	$ (4,912)	>100%
Investing activities	(10,606)	(22,707)	(53)%
Financing activities	(12,257)	9,516	> (100)%

Net Cash Provided by (Used in) Operating Activities

Operating activities consist primarily of net income adjusted for certain non-cash items. Adjustments to net income for non-cash items include depreciation, depletion and amortization, deferred revenue, deferred income taxes, equity-based compensation and allowance for doubtful accounts. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally accounts receivable, inventories, prepaid expenses and other current assets, income taxes payable and receivable, accounts payable and accrued expenses.

Net cash provided by operating activities was $30.3 million for the three months ended March 31, 2014 compared to net cash used in operating activities of $4.9 million for the three months ended March 31, 2013. This $35.2 million increase in cash provided by operations was primarily the result of a $16.0 million decrease in inventories mainly due to less inventory held at transloads; $15.5 million increase in accounts payable and accrued liabilities; a change in income tax payable of $17.4 million, mainly due to a federal tax extension payment of $19.6 million for the 2012 tax year paid in March 2013; partially offset by an increase in accounts receivable of $17.2 million.

Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for growth and maintenance.

Net cash used in investing activities was $10.6 million for the three months ended March 31, 2014. This use of cash is due to capital expenditures, which totaled $10.6 million as of March 31, 2014 for the engineering, procurement and construction of our Greenfield raw sand plant near Utica, Illinois, our new transload facility in Odessa, Texas, and other maintenance capital projects.

Net cash used in investing activities was $22.7 million in the three months ended March 31, 2013. This use of cash is due to capital expenditures which totaled $22.7 million for the three months ended March 31, 2013. Capital expenditures in 2013 were primarily for the continuing engineering, procurement and construction of our Greenfield raw sand plant in Sparta, Wisconsin. Additionally, we invested $3.3 million for the construction of our transloads in San Antonio, Texas, Fairmont, West Virginia and East Liverpool, Ohio during the three months ended March 31, 2013.

Management anticipates that our capital expenditures in 2014 will be approximately $80 million, which is primarily associated with growth and maintenance capital including the construction of the mine and processing facility near Utica, Illinois, the potential development of a Greenfield project close to Fairchild, Wisconsin and the construction of the transload facility in Odessa, Texas.

Net Cash Provided by (Used in) Financing Activities

Financing activities consist primarily of equity issuances, capital contributions, dividend payments, borrowings and repayments related to the Revolver and Term Loan, as well as fees and expenses paid in connection with our credit facilities and outstanding checks to our vendors.

Net cash used in financing activities was $12.3 million in the three months ended March 31, 2014, driven by $13.4 million in dividend payments and a $2.0 million decrease in book overdraft, partially offset by $3.0 million of proceeds from employee exercises of stock options.

Net cash provided by financing activities was $9.5 million in the three months ended March 31, 2013. During the period, we had an increase in borrowings under our revolving credit facility of $10.6 million, which was offset by a $0.7 million repayment of our long-term debt and $0.3 million in principal payments on our capital lease obligation.

For more details about our senior credit facility, please see accompanying Note G-Debt to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are likely to have a current or future material effect on our financial condition, changes in financial condition, sales, expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

There have been no significant changes outside the ordinary course of business to our “Contractual Obligations” table in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our 2013 Annual Report, except that we entered into additional new leases for railroad cars. For more details on future minimum annual commitments under such operating leases, please see accompanying Note K-Leases to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Environmental Matters

We are subject to various federal, state and local laws and regulations governing, among other things, hazardous materials, air and water emissions, environmental contamination and reclamation and the protection of the environment and natural resources. We have made, and expect to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. As of March 31, 2014, we had $9.5 million accrued for future reclamation costs, as compared to $9.4 million as of December 31, 2013.

We discuss certain environmental matters relating to our various production and other facilities, certain regulatory requirements relating to human exposure to crystalline silica and our mining activity and how such matters may affect our business in the future under Item 1, “Business,” Item 1A, “Risk Factors” Item 3, “Legal Proceedings”, and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Environmental Matters” in our 2013 Annual Report.

Critical Accounting Estimates

Our unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our 2013 Annual Report.

Recent Accounting Pronouncements

New accounting guidance that we have recently adopted, as well as accounting guidance that has been recently issued but not yet adopted by us, are included in Note A—Summary of Significant Accounting Policies to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Availability of Reports; Website Access; Other Information

Our internet address is http://www.ussilica.com. Through “Investor Relations”—“SEC Filings” on our home page, we make available free of charge our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our proxy statements, our Current Reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports filed with the SEC are also made available to read and copy at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by contacting the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on its website at www.sec.gov.

Copies of our Corporate Governance Guidelines, our Audit Committee and Compensation and Governance Committee charters, the Code of Conduct for our Board of Directors and Code of Conduct and Ethics for U.S. Silica employees (including the chief executive officer, chief financial officer and corporate controller) can also be found on our website. Any amendments or waivers to the Code of Conduct and Ethics applicable to the chief executive officer, chief financial officer and corporate controller can also be found in the "Investor Relations" section of the U.S. Silica website. Stockholders may also request a free copy of these documents from: U.S. Silica Holdings, Inc., attn.: Investor Relations, 8490 Progress Drive, Suite 300, Frederick, Maryland 21701or IR@ussilica.com.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to certain market risks, which exist as a part of our ongoing business operations. Such risks arise from adverse changes in market rates, prices and conditions. Because a significant portion of our revenue is through take-or-pay supply agreements, prices under which are generally fixed and subject to upward adjustment in response to certain cost increases, we have only partial exposure to short-term price fluctuations.

Interest Rate Risk

We are exposed to interest rate risk arising from adverse changes in interest rates. As of March 31, 2014, we have $370.6 million of debt outstanding under our senior credit facility. Assuming no change in the amount outstanding, and LIBOR is greater than the 1.0% minimum base rate on the Term Loan, a hypothetical increase or decrease in interest rates by 1.0% would have changed our interest expense by $0.9 million per year.

We use interest rate derivatives in the normal course of our business to manage both our interest cost and the risks associated with changing interest rates. We do not use derivatives for trading or speculative purposes. The following table summarizes the fair value of our derivative instruments at March 31, 2014 and December 31, 2013.

		March 31, 2014			December 31, 2013		
	Maturity Date	Contract/Notional Amount	Carrying Amount	Fair Value	Contract/Notional Amount	Carrying Amount	Fair Value
Interest rate cap agreement[1]	2016	$ 188 million	$ —	$ 74	$ 188 million	$ —	$—

(1) Agreements limit the LIBOR floating interest rate base to 4%.

Credit Risk

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. We examine the creditworthiness of third-party customers to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees, although collateral is generally not required.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2014. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of March 31, 2014, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended March 31, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In addition to the matter described below, we are subject to various legal proceedings, claims, and governmental inspections, audits or investigations arising out of our business which cover matters such as general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, employment and other actions. Although the outcomes of these routine claims cannot be predicted with certainty, in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Prolonged inhalation of excessive levels of respirable crystalline silica dust can result in silicosis, a disease of the lungs. Breathing large amounts of respirable silica dust over time may injure a person's lungs by causing scar tissue to form. Crystalline silica in the form of quartz is a basic component of soil, sand, granite and most other types of rock. Cutting, breaking, crushing, drilling, grinding and abrasive blasting of or with crystalline silica containing materials can produce fine silica dust, the inhalation of which may cause silicosis, lung cancer and possibly other diseases including immune system disorders such as scleroderma. Sources of exposure to respirable crystalline silica dust include sandblasting, foundry manufacturing, crushing and drilling of rock, masonry and concrete work, mining and tunneling, and cement and asphalt pavement manufacturing.

Since at least 1975, we and/or our predecessors have been named as a defendant, usually among many defendants, in numerous lawsuits brought by or on behalf of current or former employees of our customers alleging damages caused by silica exposure. Prior to 2001, the number of silicosis lawsuits filed annually against the commercial silica industry remained relatively stable and was generally below 100, but between 2001 and 2004 the number of silicosis lawsuits filed against the commercial silica industry substantially increased. This increase led to greater scrutiny of the nature of the claims filed, and in June 2005 the U.S. District Court for the Southern District of Texas issued an opinion in the former federal silica multi-district litigation remanding almost all of the 10,000 cases then pending in the multi-district litigation back to the state courts from which they originated for further review and medical qualification, leading to a number of silicosis case dismissals across the United States. In conjunction with this and other favorable court rulings establishing "sophisticated user" and "no duty to warn" defenses for silica producers, several states, including Texas, Ohio and Florida, have passed medical criteria legislation that requires proof of actual impairment before a lawsuit can be filed.

As a result of the above developments, the filing rate of new claims against us over the past three years has decreased to below pre-2001 levels, and we were named as a defendant in three, two and three new silicosis cases filed in 2011, 2012 and 2013, respectively. During the three months ended March 31, 2014, no additional claims were brought against us. As of April 30, 2014, there are a total of approximately 88 active silica-related products liability claims pending in which we were a defendant and approximately 3,116 inactive claims. Almost all of the claims pending against us arise out of the alleged use of our silica products in foundries or as an abrasive blast media, and involve various other defendants. Prior to the fourth quarter of 2012, we had insurance policies for both our predecessors that cover certain claims for alleged silica exposure for periods prior to certain dates in 1985 and 1986 (with respect to certain insurance). As a result of a settlement with a former owner of ours and its insurers in the fourth quarter of 2012, some of these policies are no longer available to us, and we will not seek reimbursement for any defense costs or claim payments from these policies. Other insurance policies, however, continue to remain available to us and will continue to make such payments on our behalf.

The silica-related litigation brought against us to date has not resulted in material liability to us. However, we continue to have silica-related products liability claims filed against us, including claims that allege silica exposure for periods for which we do not have insurance coverage. Any such pending or future claims or inadequacies of our insurance coverage could have a material adverse effect on our business, reputation or results of operations. For more information regarding silica-related litigation, see Part I, Item 1A of our 2013 Annual Report "Risk Factors—Risks Related to Our Business—Silica-related health issues and litigation could have a material adverse effect on our business, reputation or results of operations."

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ITEM 1A. RISK FACTORS

As of March 31, 2014, there have been no material changes to the risk factors disclosed in Item 1A of Part I in our 2013 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchase Program

The following table presents the total number of shares of our common stock that we purchased during the three months ended March 31, 2014, the average price paid per share, the number of shares that we purchased as part of our publicly announced repurchase program, and the approximate dollar value of shares that still could have been purchased at the end of the applicable fiscal period pursuant to our June 2012 repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program[1]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program[1]
January 2014	0	$ 0	0	
February 2014	0	$ 0	0	
March 2014	6,577[2]	$ 35.26	0	
Total as of March 31, 2014	6,577	$ 35.26	0	$ 23,928,275

(1) The program covering the repurchase of up to $25.0 million of our common stock was announced on June 12, 2012. This program expires on December 11, 2014.

(2) Represents shares withheld by U.S. Silica to pay taxes due upon the vesting of employee restricted stock and restricted stock units.

For more details on the stock repurchase program, see Note C- Capital Structure and Accumulated Comprehensive Income to our Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Safety is one of our core values, and we strive for excellence in the achievement of a workplace free of injuries and occupational illnesses. Our health and safety leadership team has developed comprehensive safety policies and standards, which include detailed standards and procedures for safe production, addresses topics such as employee training, risk management, workplace inspection, emergency response, accident investigation and program auditing. We place special emphasis on the importance of continuous improvement in occupational health, personal injury avoidance and prevention, emergency preparedness, and property damage elimination. In addition to strong leadership and involvement from all levels of the organization, these programs and procedures form the cornerstone of our safety initiatives, ensuring that employees are provided a safe and healthy environment and are intended as a means to reduce workplace accidents, incidents and losses, comply with all mining-related regulations and provide support for both regulators and the industry to improve mine safety. While we want to have productive operations in full regulatory compliance, we know it is equally essential that we motivate and train our people to think, practice and feel a personal responsibility for health and safety on and off the job.

All of our production facilities, with the exception of our resin-coated sand facility, are classified as mines and are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). MSHA inspects our mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Following passage of The Mine Improvement and New Emergency Response Act of 2006, MSHA significantly increased the numbers of citations and orders charged against mining operations. The dollar penalties assessed for citations issued has also increased in recent years. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Quarterly Report filed on Form 10-Q.

ITEM 5. OTHER INFORMATION

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- fluctuations in demand for commercial silica;
- the cyclical nature of our customers’ businesses;
- operating risks that are beyond our control, such as changes in the price and availability of transportation, natural gas or electricity; unusual or unexpected geological formations or pressures; cave-ins, pit wall failures or rock falls; or unanticipated ground, grade or water conditions;
- our dependence on two of our plants for a significant portion of our sales;
- the level of activity in the natural gas and oil industries;
- decreased demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing;
- federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related regulatory action or litigation affecting our customers’ operations;
- our rights and ability to mine our properties and our renewal or receipt of the required permits and approvals from governmental authorities and other third parties;
- our ability to implement our capacity expansion plans within our current timetable and budget and our ability to secure off-take agreements for our increased production capacity, and the actual operating costs once we have completed the capacity expansion;
- our ability to succeed in competitive markets;
- loss of, or reduction in, business from our largest customers;
- increasing costs or a lack of dependability or availability of transportation services or infrastructure;
- increases in the prices of, or interruptions in the supply of, natural gas and electricity, or any other energy sources;

- increases in the price of diesel fuel;
- diminished access to water;
- our ability to effectively integrate the manufacture of resin-coated sand with our existing processes;
- our ability to successfully complete acquisitions or integrate acquired businesses;
- our ability to make capital expenditures to maintain, develop and increase our asset base and our ability to obtain needed capital or financing on satisfactory terms;
- substantial indebtedness and pension obligations;
- restrictions imposed by our indebtedness on our current and future operations;
- the accuracy of our estimates of mineral reserves and resource deposits;
- a shortage of skilled labor and rising costs in the mining industry;
- our ability to attract and retain key personnel;
- our ability to maintain satisfactory labor relations;
- our reliance on trade secrets and contractual restrictions, rather than patents, to protect our proprietary rights;
- our significant unfunded pension obligations and post-retirement health care liabilities;
- our ability to maintain effective quality control systems at our mining, processing and production facilities;
- seasonal and severe weather conditions;
- fluctuations in our sales and results of operations due to seasonality and other factors;
- interruptions or failures in our information technology systems;
- the impact of a terrorist attack or armed conflict;
- our failure to maintain adequate internal controls;
- extensive and evolving environmental, mining, health and safety, licensing, reclamation and other regulation (and changes in their enforcement or interpretation);
- silica-related health issues and corresponding litigation;
- our ability to acquire, maintain or renew financial assurances related to the reclamation and restoration of mining property; and
- other factors included and disclosed in Part I, Item 1A, “Risk Factors” of our 2013 Annual Report.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under Item 1A, “Risk Factors” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2013 Annual Report. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other filings with the SEC, including this Quarterly Report on Form 10-Q, and public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

ITEM 6. EXHIBITS

The information called for by this Item is incorporated herein by reference from the Exhibit Index included in this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 30th day of April, 2014.

U.S. Silica Holdings, Inc.

/s/ DONALD A. MERRIL

Name:	Donald A. Merril
Title:	Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Second Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective January 31, 2012.	8-K	001-35416	3.1	February 6, 2012
3.2	Second Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective January 31, 2012.	8-K	001-35416	3.2	February 6, 2012
4.1	Specimen Common Stock Certificate.	S-1/A	333-175636	4.1	December 7, 2011
10.1+	Letter Agreement, dated March 20, 2014, by and between Daniel Avramovich and U.S. Silica Holdings, Inc.	8-K	001-35416	10.1	March 21, 2014
31.1*	Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer.				
31.2*	Rule 13a-14(a)/15(d)-14(a) Certification by Donald A. Merril, Chief Financial Officer.				
32.1*	Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer.				
32.2*	Section 1350 Certification by Donald A. Merril, Chief Financial Officer.				
95.1*	Mine Safety Disclosure				
99.1*	Consent of The Freedonia Group, Inc.				
99.2*	Consent of PropTester, Inc.				
101*	101.INS XBRL Instance				
	101.SCH XBRL Taxonomy Extension Schema				
	101.CAL XBRL Taxonomy Extension Calculation				
	101.LAB XBRL Taxonomy Extension Labels				
	101.PRE XBRL Taxonomy Extension Presentation				
	101.DEF XBRL Taxonomy Extension Definition				

+ Management contract or compensatory plan/arrangement
* Filed herewith

We will furnish any of our shareowners a copy of any of the above Exhibits not included herein upon the written request of such shareowner and the payment to U.S. Silica Holdings, Inc. of the reasonable expenses incurred in furnishing such copy or copies.

Exhibit 31.1

CERTIFICATION

I, Bryan A. Shinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of U.S. Silica Holdings, Inc. (the "Company") for the quarter ended March 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2014

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Donald A. Merril, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Silica Holdings, Inc. (the "Company") for the quarter ended March 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2014

/s/ DONALD A. MERRIL
Name: Donald A. Merril
Title: Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION

I, Bryan A. Shinn, Chief Executive Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

i. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2014

/s/ BRYAN A. SHINN
Name: Bryan A. Shinn
Title: Chief Executive Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

Exhibit 32.2

SECTION 1350 CERTIFICATION

I, Donald A. Merril, Chief Financial Officer, U.S. Silica Holdings, Inc. (the "Company"), hereby certify, on the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

i. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2014

/s/ DONALD A. MERRIL
Name: Donald A. Merril
Title: Chief Financial Officer

A signed copy of this original statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

Exhibit 95.1

Mine Safety Disclosure

The following disclosures are provided pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

Mine Safety Information. Whenever the Federal Mine Safety and Health Administration (“MSHA”) believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

Mine Safety Data. The following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

- *Section 104 S&S Citations:* Citations received from MSHA under section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.
- *Section 104(b) Orders:* Orders issued by MSHA under section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
- *Section 104(d) Citations and Orders:* Citations and orders issued by MSHA under section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.
- *Section 110(b)(2) Violations:* Flagrant violations issued by MSHA under section 110(b)(2) of the Mine Act.
- *Section 107(a) Orders:* Orders issued by MSHA under section 107(a) of the Mine Act for situations in which MSHA determined an “imminent danger” (as defined by MSHA) existed.

The following table details the violations, citations and orders issued to us by MSHA during the quarter ended March 31, 2014:

Mine(1)	Section 104 S&S Citations(2) (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Proposed Assessments(3) ($, amounts in dollars)	Mining Related Fatalities (#)
Ottawa, IL	1	—	1	—	—	$ 200	—
Mill Creek, OK	—	—	—	—	—	—	—
Pacific, MO	1	—	—	—	—	—	—
Berkeley Springs, WV	—	—	—	—	—	—	—
Mapleton Depot, PA	—	—	—	—	—	100	—
Kosse, TX	—	—	—	—	—	—	—
Mauricetown, NJ	—	—	—	—	—	—	—
Columbia, SC	—	—	—	—	—	300	—
Montpelier, VA	—	—	—	—	—	—	—
Rockwood, MI	—	—	—	—	—	—	—
Jackson, TN	—	—	—	—	—	—	—
Dubberly, LA	—	—	—	—	—	—	—
Batesville, AR	—	—	—	—	—	—	—
Hurtsboro, AL	—	—	—	—	—	200	—
Sparta, WI	3	—	—	—	—	—	—

(1) The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.

(2) 14 Section 104 S&S Citations were subject to contest as of March 31, 2014.

(3) Represents the total dollar value of proposed assessments from MSHA under the Mine Act relating to any type of citation or order issued during the three months ended March 31, 2014.

Pattern or Potential Pattern of Violations. During the three months ended March 31, 2014, none of the mines operated by us received written notice from MSHA of (a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act or (b) the potential to have such a pattern.

Pending Legal Actions. The following information provides a summary of legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) as of March 31, 2014, as well as the aggregate number of legal actions instituted and resolved during 2013. The Commission is an independent adjudicative agency established by the Mine Act that provides administrative trial and appellate review of legal disputes arising under the Mine Act. These cases may involve, among other questions, challenges by operators to citations, orders and penalties they have received from MSHA, or complaints of discrimination by miners under Section 105 of the Mine Act. The following provides additional information of the types of proceedings that may be brought before the Commission:

- *Contest Proceedings:* A contest proceeding may be filed by an operator to challenge the issuance of a citation or order issued by MSHA.

- *Civil Penalty Proceedings:* A civil penalty proceeding may be filed by an operator to challenge a civil penalty MSHA has proposed for a violation contained in a citation or order. U.S. Silica does not institute civil penalty proceedings based solely on the assessment amount of proposed penalties. Any initiated adjudications address substantive matters of law and policy instituted on conditions that are alleged to be in violation of mandatory standards of the Mine Act.
- *Discrimination Proceedings:* Involves a miner's allegation that he or she has suffered adverse employment action because he or she engaged in activity protected under the Mine Act, such as making a safety complaint. Also includes temporary reinstatement proceedings involving cases in which a miner has filed a complaint with MSHA stating that he or she has suffered discrimination and the miner has lost his or her position.
- *Compensation Proceedings:* A compensation proceeding may be filed by miners entitled to compensation when a mine is closed by certain closure orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation, if any, due to miners idled by the orders.
- *Temporary Relief:* Applications for temporary relief are applications filed under section 105(b)(2) of the Mine Act for temporary relief from any modification or termination of any order.
- *Appeals:* An appeal may be filed by an operator to challenge judges' decisions or orders to the Commission, including petitions for discretionary review and review by the Commission on its own motion.

During 2014, we had no legal actions instituted or resolved; as of March 31, 2014, we had no pending legal actions.

Exhibit 99.1

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CONSENT OF THE FREEDONIA GROUP, INC.

We hereby consent to the references to our company's name in the Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2014 (the "Quarterly Report") of U.S. Silica Holdings, Inc. (the "Company") and the quotation by the Company in the Quarterly Report from Table IV-4 from our report World Industrial Silica Sand, October 2012 and Table V-3 from our report Proppants in North America, August 2013. We also hereby consent to the filing of this letter as an exhibit to the Quarterly Report.

THE FREEDONIA GROUP, INC.

By:	/s/ Corinne Gangloff
Name:	Corinne Gangloff
Title:	Media Relations Director

April 30, 2014

Exhibit 99.2

CONSENT OF PROPTESTER, INC.

We hereby consent to the references to our company's name in the Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2014 (the "Quarterly Report") of U.S. Silica Holdings, Inc. (the "Company") and the quotation by the Company in the Quarterly Report from 2013 Proppant Market Report, published February 2014. We also hereby consent to the filing of this letter as an exhibit to the Quarterly Report.

PROPTESTER, INC.

By: /s/ Ian Renkes
Name: Ian Renkes
Title: VP of Operations

April 30, 2014