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, 2016

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	**26-3718801**
(State or other jurisdiction of Incorporation or Organization)	**(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 25, 2016, 63,501,408 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, 2016

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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, 2016	December 31, 2015
	(unaudited)	(audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 463,395	$ 277,077
Short-term investments	6,840	21,849
Accounts receivable, net	59,078	58,706
Inventories, net	67,091	65,004
Prepaid expenses and other current assets	10,375	9,921
Income tax deposits	939	6,583
Total current assets	607,718	439,140
Property, plant and mine development, net	553,005	561,196
Goodwill	68,647	68,647
Trade names	14,474	14,474
Customer relationships, net	6,329	6,453
Other assets	18,127	18,709
Total assets	$ 1,268,300	$ 1,108,619
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 45,394	$ 49,631
Dividends payable	3,339	3,453
Accrued liabilities	11,547	11,708
Accrued interest	57	58
Current portion of long-term debt	3,333	3,330
Current portion of deferred revenue	7,216	15,738
Total current liabilities	70,886	83,918
Long-term debt	487,540	488,375
Liability for pension and other post-retirement benefits	60,600	55,893
Deferred revenue	66,948	59,676
Deferred income taxes, net	9,770	19,513
Other long-term obligations	17,563	17,077
Total liabilities	713,307	724,452
Stockholders' Equity:		
Preferred stock	—	—
Common stock	639	539
Additional paid-in capital	379,336	194,670
Retained earnings	207,040	220,974
Treasury stock, at cost	(13,323)	(15,845)
Accumulated other comprehensive loss	(18,699)	(16,171)
Total stockholders' equity	554,993	384,167
Total liabilities and stockholders' equity	$ 1,268,300	$ 1,108,619

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

U.S. SILICA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; in thousands, except per share amounts)

	Three Months Ended March 31,	
	2016	**2015**
Sales	$ 122,510	$ 203,958
Cost of goods sold (excluding depreciation, depletion and amortization)	106,751	138,653
Operating expenses		
Selling, general and administrative	15,503	26,961
Depreciation, depletion and amortization	14,556	13,243
	30,059	40,204
Operating income (loss)	(14,300)	25,101
Other income (expense)		
Interest expense	(6,643)	(6,836)
Other income, net, including interest income	1,790	11
	(4,853)	(6,825)
Income (loss) before income taxes	(19,153)	18,276
Income tax benefit (expense)	8,493	(3,453)
Net income (loss)	$ (10,660)	$ 14,823
Earnings (loss) per share:		
Basic	$ (0.20)	$ 0.28
Diluted	$ (0.20)	$ 0.28
Weighted average shares outstanding:		
Basic	54,470	53,416
Diluted	54,470	53,869
Dividends declared per share	$ 0.06	$ 0.13

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,	
	2016	**2015**
Net income (loss)	$ (10,660)	$ 14,823
Other comprehensive income (loss):		
Unrealized gain on derivatives (net of tax of $21and $2 for the three months ended March 31, 2016 and 2015, respectively)	35	3
Unrealized gain (loss) on investments (net of tax of $(3) and $22 for the three months ended March 31, 2016 and 2015, respectively)	(5)	35
Pension and other post-retirement benefits liability adjustment (net of tax of $(1,541) and $(235) for the three months ended March 31, 2016 and 2015, respectively)	(2,558)	(379)
Comprehensive income (loss)	$ (13,188)	$ 14,482

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, except per share amounts)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2015	$ 539	$ (15,845)	$ 194,670	$ 220,974	$ (16,171)	$ 384,167
Net loss	—	—	—	(10,660)	—	(10,660)
Issuance of common stock (common stock offering at $20 per share, net of issuance costs of $13,798)	100	—	186,102	—	—	186,202
Unrealized gain on derivatives, net of tax	—	—	—	—	35	35
Unrealized loss on short-term investments, net of tax	—	—	—	—	(5)	(5)
Pension and post-retirement liability, net of tax	—	—	—	—	(2,558)	(2,558)
Cash dividend declared ($0.0625 per share)	—	—	—	(3,274)	—	(3,274)
Common stock-based compensation plans activity:						
Equity-based compensation	—	—	1,906	—	—	1,906
Net tax effect	—	—	(343)	—	—	(343)
Proceeds from options exercised	—	37	(15)	—	—	22
Shares withheld for employee taxes related to vested restricted stock and stock units	—	1,416	(1,915)	—	—	(499)
Issuance of restricted stock	—	1,069	(1,069)	—	—	—
Balance at March 31, 2016	$ 639	$ (13,323)	$ 379,336	$ 207,040	$ (18,699)	$ 554,993

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, 2016	Three Months Ended March 31, 2015
Operating activities:		
Net income (loss)	$ (10,660)	$ 14,823
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	14,556	13,243
Debt issuance amortization	348	352
Original issue discount amortization	96	96
Deferred income taxes	(8,563)	(3,101)
Deferred revenue	(1,250)	(5,498)
Gain (loss) on disposal of property, plant and equipment	8	(32)
Equity-based compensation	1,906	2,090
Excess tax benefit from equity-based compensation	—	(6)
Bad debt provision	150	3,183
Other	653	(552)
Changes in operating assets and liabilities:		
Accounts receivable	(522)	21,343
Inventories	(2,087)	1,677
Prepaid expenses and other current assets	(454)	(1,512)
Income taxes	5,644	5,742
Accounts payable and accrued liabilities	(4,398)	(33,071)
Accrued interest	(1)	—
Liability for pension and other post-retirement benefits	820	1,007
Net cash provided by (used in) operating activities	(3,754)	19,784
Investing activities:		
Capital expenditures	(6,068)	(13,377)
Maturities of short-term investments	15,020	—
Proceeds from sale of property, plant and equipment	58	72
Net cash provided by (used in) investing activities	9,010	(13,305)
Financing activities:		
Dividends paid	(3,388)	(6,758)
Repurchase of common stock	—	(15,255)
Issuance of common stock	200,000	—
Common stock issuance costs	(13,798)	—
Proceeds from options exercised	22	43
Excess tax benefit from equity-based compensation	—	6
Tax payments related to shares withheld for vested restricted stock	(499)	(443)
Repayment of long-term debt	(1,275)	(1,275)
Financing fees	—	(64)
Net cash provided by (used in) financing activities	181,062	(23,746)
Net increase (decrease) in cash and cash equivalents	186,318	(17,267)
Cash and cash equivalents, beginning of period	277,077	263,066
Cash and cash equivalents, end of period	$ 463,395	$ 245,799
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 5,298	$ 5,529
Taxes, net of refunds	$ (5,574)	$ 805

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

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, 2015; 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' operating activities section of the consolidated statement of cash flows 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 Condensed Consolidated Balance Sheets as our "Balance Sheets," (ii) our Condensed Consolidated Statements of Operations as our "Income Statements," and (iii) our Condensed Consolidated Statements of Cash Flows as our "Cash Flows."

Unaudited Interim Financial Statements

The accompanying Balance Sheet as of March 31, 2016; the Income Statements, Condensed Consolidated Statements of Comprehensive Income and Cash Flows for the three months ended March 31, 2016 and 2015; the Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2016; and other information disclosed in the related notes are unaudited. The Balance Sheet as of December 31, 2015 was derived from our audited consolidated financial statements as included in our 2015 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 Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update, Improvements to Employee Share-Based Payment Accounting, which simplifies the income tax consequences, accounting for forfeitures and classification on the Statements of Cash Flows. This Update is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years; early application is permitted. We are currently evaluating the effect that the new guidance will have on our financial statements and related disclosures.

In February 2016, the FASB issued an Accounting Standards Update, Leases, which supersedes the existing lease guidance and requires all leases with a term greater than 12 months to be recognized on the balance sheet as assets and obligations. This Update is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; early application is permitted. This standard mandates a modified retrospective transition method. We are currently evaluating the effect that the new guidance will have on our financial statements and related disclosures.

On July 22, 2015, the FASB issued Accounting Standards Update, Simplifying the Measurement of Inventory. The new standard requires an entity to measure most inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The new standard will not apply to inventories that are measured using either the last-in, first-out (LIFO) method or the retail inventory method. This Update is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years; early application is permitted. We have elected to adopt the standard early effective January 1, 2016 prospectively and have measured our inventory at the lower of cost and net realizable value on our Balance Sheet as of March 31, 2016.

NOTE B—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.

In March 2016, we completed a public offering of 10,000,000 shares of our common stock for total cash proceeds of approximately $186.2 million net of underwriting discounts and offering costs. There were 63,481,699 shares of common stock issued and outstanding at March 31, 2016. As of March 31, 2015, there were 53,374,963 shares issued and outstanding.

During the three months ended March 31, 2016, our Board of Directors declared quarterly cash dividends as follows:

Dividends per Common Share	Declaration Date	Record Date	Payable Date
$ 0.06	February 22, 2016	March 15, 2016	April 5, 2016

All dividends were paid as scheduled.

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, to fix the powers, preferences and other rights of such series, and any 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 were no shares of preferred stock issued or outstanding at either March 31, 2016 or December 31, 2015. At present, we have no plans to issue any preferred stock.

Employee Stock Awards

We grant stock options, restricted stock, restricted stock units and performance share units to our employees and directors under the Amended and Restated U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan. The weighted-average stock awards (in thousands) that are antidilutive and are therefore excluded from the calculation of our diluted earnings per common share are:

	Three Months Ended March 31,	
	2016	2015
Weighted-average outstanding stock options excluded	1,306	306
Weighted-average outstanding restricted stock awards excluded	367	27

Share Repurchase Program

We are authorized by our Board of Directors to repurchase shares of our outstanding common stock from time to time on the open market or in privately negotiated transactions. As of March 31, 2016, we are authorized to repurchase up to $50 million of our common stock through December 11, 2016. Stock repurchases, if any, 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. Under our share repurchase program, as of March 31, 2016, we have repurchased 706,093 shares of our common stock at an average price of $23.83 and are authorized to repurchase up to an additional $33.2 million of our common stock.

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, 2016:

	For the Three Months Ended March 31, 2016			
	Unrealized gain/(loss) on cash flow hedges	Unrealized gain/(loss) on short-term investments	Pension and other post-retirement benefits liability	Total
Beginning Balance	$ (81)	$ 6	$ (16,096)	$ (16,171)
Other comprehensive income (loss) before reclassifications	—	(5)	(2,947)	(2,952)
Amounts reclassed from accumulated other comprehensive income	35	—	389	424
Ending Balance	$ (46)	$ 1	$ (18,654)	$ (18,699)

Amounts reclassified from accumulated other comprehensive income (loss) related to cash flow hedges category are included in interest expense in our Income Statements and amounts reclassified related to pension and other post-retirement benefits liability category are included in the computation of net periodic pension costs, respectively, at before tax amounts.

NOTE C—ACCOUNTS RECEIVABLE

At March 31, 2016 and December 31, 2015, accounts receivable (in thousands) consisted of the following:

	March 31, 2016	December 31, 2015
Trade receivables	$ 65,279	$ 64,821
Less: Allowance for doubtful accounts	(7,503)	(7,686)
Net trade receivables	57,776	57,135
Other receivables	1,302	1,571
Total accounts receivable	$ 59,078	$ 58,706

Changes in our allowance for doubtful accounts (in thousands) during the three months ended March 31, 2016 are as follows:

	March 31, 2016
Beginning balance	$ 7,686
Bad debt provision net of recoveries	150
Write-offs	(333)
Ending balance	$ 7,503

NOTE D—INVENTORIES

At March 31, 2016 and December 31, 2015, inventories (in thousands) consisted of the following:

	March 31, 2016	December 31, 2015
Supplies	$ 18,114	$ 18,029
Raw materials and work in process	16,493	18,113
Finished goods	32,484	28,862
Total inventories	$ 67,091	$ 65,004

NOTE E—PROPERTY, PLANT AND MINE DEVELOPMENT

At March 31, 2016 and December 31, 2015, property, plant and mine development (in thousands) consisted of the following:

	March 31, 2016	December 31, 2015
Mining property and mine development	$ 222,427	$ 222,439
Asset retirement cost	9,887	9,889
Land	30,322	30,322
Land improvements	37,972	37,791
Buildings	51,280	51,280
Machinery and equipment	368,353	360,817
Furniture and fixtures	1,917	1,917
Construction-in-progress	53,867	56,130
	776,025	770,585
Accumulated depletion, depreciation and amortization	(223,020)	(209,389)
Total property, plant and mine development, net	$ 553,005	$ 561,196

The amount of interest costs capitalized in property, plant and equipment was $90 and $42 for the three months ended March 31, 2016 and 2015 respectively.

NOTE F—DEBT

At March 31, 2016 and December 31, 2015, debt (in thousands) consisted of the following:

	March 31, 2016	December 31, 2015
Senior secured credit facility:		
Revolver expiring July 23, 2018 (5% at March 31, 2016 and December 31, 2015)	$ —	$ —
Term loan facility—final maturity July 23, 2020 (4 - 4.5% at March 31, 2016 and December 31, 2015)	498,000	499,275
Less: Unamortized original issue discount	(1,602)	(1,696)
Less: Unamortized debt issuance cost	(5,525)	(5,874)
Total debt	490,873	491,705
Less: current portion	(3,333)	(3,330)
Total long-term portion of debt	$ 487,540	$ 488,375

Revolving Line-of-Credit

We have a $50 million revolving line-of-credit (the “Revolver”), with zero drawn and $3.3 million allocated for letters of credit as of March 31, 2016, leaving $46.7 million available under the Revolver.

Debt Maturities

At March 31, 2016, contractual maturities of long-term debt (in thousands) are as follows:

2016	$	3,825
2017		5,100
2018		5,100
2019		5,100
2020		478,875
Thereafter		—
	$	498,000

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, 2016, we are in compliance with all covenants in accordance with our senior secured credit facility.

NOTE G—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, 2016, we had a liability of $12.5 million in other long-term obligations related to our asset retirement obligation. Changes in the asset retirement obligation (in thousands) during the three months ended March 31, 2016 are as follows:

		March 31, 2016
Beginning balance	$	12,254
Payments		—
Accretion		240
Additions and revisions of prior estimates		—
Ending balance	$	12,494

NOTE H—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, quoted 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, 2016 and December 31, 2015 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, approximate their carrying values 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 within 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, 2016, 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, 2016 of those assets (in thousands) that we measure at fair value on a recurring basis:

	Level 1	Level 2	Total
Short-term investments	$ 982	$ 5,858	$ 6,840
Interest rate derivatives	—	—	—
Net asset	$ 982	$ 5,858	$ 6,840

NOTE I—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 (in thousands) as of March 31, 2016:

	Aggregate Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market mutual funds	$ 982	$ —	$ —	$ 982
Fixed income securities:				
Certificates of deposit	4,655	—	—	4,655
Government agencies	1,200	3	—	1,203
Total available-for-sale investments	$ 6,837	$ 3	$ —	$ 6,840

As of March 31, 2016, we considered any 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, 2016, we did not recognize any impairment charges.

NOTE J—COMMITMENTS AND CONTINGENCIES

Future Minimum Annual Commitments at March 31, 2016:

(amounts in thousands)	Operating Lease Minimum Rental Payments	Minimum Purchase Commitments
2016	$ 33,721	$ 22,109
2017	46,960	19,861
2018	57,211	17,222
2019	52,363	12,967
2020	48,687	4,258
Thereafter	157,427	14,850
Total future lease and purchase commitments	$ 396,369	$ 91,267

Operating 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. In general, the above leases include renewal options and provide that we pay for all utilities, insurance, taxes and maintenance. Expense related to operating leases and rental agreements totaled approximately $12.9 million and $10.0 million for the three months ended March 31, 2016 and 2015, respectively. As of March 31, 2016, we have no obligations under a capital lease.

Minimum Purchase Commitments

We enter into service agreements with our transload service providers and transportation service providers. Some of these agreements require us to purchase a minimum amount of services over a specific period of time. Any inability to meet these minimum contract requirements requires us to pay a shortfall fee, which is based on the difference between the minimum amount contracted for and the actual amount purchased.

Other 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, 2016, no new claims were brought against U.S. Silica. As of March 31, 2016, there were 75 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, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

We have recorded estimated liabilities for these claims in other long-term obligations as well as estimated recoveries under the indemnity agreement and an estimate of future recoveries under insurance in other assets on our consolidated balance sheets. As of both March 31, 2016 and December 31, 2015 other non-current assets included $0.3 million for insurance for third-party products liability claims and other long-term obligations included $1.5 million in third-party products claims liability.

Additionally, during the three months ended March 31, 2015, we received an unfavorable ruling in an arbitration proceeding as a result of exiting a toll manufacturing contract. The amount of the ruling was approximately $7.6 million. The matter was settled and the settlement amount of $6.5 million was paid on June 9, 2015. The expense was included in selling, general and administrative expense in our Income Statement for the three months ended March 31, 2015.

NOTE K—INCOME TAXES

For interim period reporting, we record income taxes using an estimated annual effective tax rate based upon projected annual income, forecasted permanent tax differences, discrete items and statutory rates in states in which we operate. At the end of each interim period, we update the estimated annual effective tax rate, and if the estimated tax rate changes based on new information, we make a cumulative adjustment in the period. We record the tax effect of an unusual or infrequently occurring item in the interim period in which it occurs as a discrete item of tax. The effective tax rate was 44% and 19% for the three months ended March 31, 2016 and 2015, respectively.

Historically, our actual effective tax rates have differed from 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.

NOTE L—PENSION AND POST-RETIREMENT BENEFITS

We maintain a single-employer noncontributory defined benefit pension plan covering certain employees. Net pension benefit cost (in thousands) recognized for the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31,	
	2016	2015
Service cost	$ 288	$ 324
Interest cost	1,235	1,203
Expected return on plan assets	(1,392)	(1,375)
Net amortization and deferral	481	666
Net pension benefit costs	$ 612	$ 818

In addition, we provide defined benefit post-retirement health care and life insurance benefits to some employees. Net periodic post-retirement benefit cost (in thousands) recognized for the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31,	
	2016	2015
Service cost	$ 44	$ 44
Interest cost	306	277
Expected return on plan assets	—	(1)
Net amortization and deferral	135	96
Net post-retirement costs	$ 485	$ 416

The weighted average discount rate used to determine the projected pension and post-retirement obligations was updated during the three months ended March 31, 2016, and was decreased from 4.5% at December 31, 2015 to 4.1% at March 31, 2016. We made no contributions to the qualified pension plan for the three months ended March 31, 2016 and 2015. Total expected employer funding contributions during the fiscal year ending December 31, 2016 are $0 for the pension plan and $1.4 million for the post-retirement medical and life plan.

NOTE M—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, 2016, Travelers had $10.2 million in bonds outstanding for us. The majority of these bonds, $9.9 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.

NOTE N—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.

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 260 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.

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 Note A - Summary of Significant Accounting Policies of our Financial Statements.

The following table presents sales and segment contribution margin (in thousands) for the reporting segments and other operating results not allocated to the reported segments for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
Sales:		
Oil & Gas Proppants	$ 73,865	$ 148,753
Industrial & Specialty Products	48,645	55,205
Total Sales	122,510	203,958
Segment contribution margin:		
Oil & Gas Proppants	851	52,195
Industrial & Specialty Products	16,893	15,456
Total segment contribution margin	17,744	67,651
Operating activities excluded from segment cost of goods sold	(1,985)	(2,346)
Selling, general and administrative	(15,503)	(26,961)
Depreciation, depletion and amortization	(14,556)	(13,243)
Interest expense	(6,643)	(6,836)
Other income, net, including interest income	1,790	11
Income (loss) before income taxes	$ (19,153)	$ 18,276

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 $68.6 million has been allocated to these segments with $47.9 million assigned to Oil & Gas Proppants and $20.7 million to Industrial & Specialty Products.

NOTE O—SUBSEQUENT EVENTS

On April 5, 2016 we paid a cash dividend of $0.0625 per share to common stockholders of record on March 15, 2016, which had been declared by our Board of Directors on February 22, 2016.

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 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, 2015 (the "2015 Annual Report").

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 116 year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 260 products to customers across these markets. As of March 31, 2016, we operate 17 production facilities across the United States and control 397 million tons of reserves of commercial silica. We own one of the largest frac sand processing plants in the United States and control approximately 221 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

Oil and gas proppants end market trends

Increased demand for frac sand between 2008 and 2014 was driven by the growth in the use of hydraulic fracturing as a means to extract hydrocarbons from shale formations. According to the 2014 Proppant Market Report, PropTester Inc., published February 2015, global frac sand consumption grew at a 51.2% compound annual growth rate from 2009 to 2014. This included 53.7% growth in frac sand demand from 2013 to 2014. We significantly expanded our sales efforts to the frac sand market in 2008 and experienced rapid growth in our sales associated with our oil and gas activities from 2008 until 2014.

However, during 2015, declines in oil prices reduced oil and gas drilling and completion activity in North America. As of March 31, 2016, the U.S. land rig count had fallen over 70% from its peak in 2014. Demand for frac sand fell in conjunction with the rig count and activity levels, partially offset by higher proppant per well to optimize recovery and production rates. Frac sand pricing remained under pressure during the three months ended March 31, 2016, and we expect these trends to continue for the remainder of 2016.

The table below summarizes some revenue metrics of our Oil & Gas Proppants segment for the three months ended March 31, 2016 compared to December 31, 2015. During the three months ended March 31, 2016, both tons sold and average selling price decreased compared to the three months ended December 31, 2015 driven by the reduced demand from our customers.

(amounts in thousands except per ton data)	Three Months Ended		Amount Change	Percent Change
Oil & Gas Proppants	**March 31, 2016**	**December 31, 2015**	**'16 vs. '15**	**'16 vs. '15**
Sales	$ 73,865	$ 88,841	$ (14,976)	(17)%
Tons Sold	1,411	1,553	(142)	(9)%
Average Selling Price per Ton	$ 52.35	$ 57.21	$ (4.86)	(8)%

A continued reduction in oil and gas drilling and completion activity may reduce frac sand demand further, which could result in us selling fewer tons, selling tons at lower prices, or both. If we sell less frac sand, or sell frac sand at lower prices, our revenue, net income, cash generated from operating activities, and liquidity would be adversely affected. We could evaluate further actions to reduce cost and improve liquidity. For instance, depending on market conditions, we may implement additional cost improvement projects or further reduce our capital spending for 2016 and beyond and may delay or cancel capital projects.

Additionally, due to impacts of reduced demand for our frac sand, we are engaged in ongoing discussions with our take-or-pay supply agreement customers regarding pricing and volume requirements under existing contracts. While these discussions continue, in certain circumstances we have provided contract customers with temporary reductions to contract pricing in exchange for additional term and/or volume in order to preserve the value of these agreements. We may deliver sand at prices or at volumes below the requirements in our existing take-or-pay supply agreements. We expect these circumstances may continue for the remainder of 2016. For a discussion of customer credit risk, see the Credit Risk section in Part I, Item 3 of this Quarterly Report on Form 10-Q.

We believe fluctuations in demand and price may occur as the market adjusts to changing supply and demand due to energy pricing fluctuations. However, we continue to expect long-term growth in oil and gas drilling in the North American shale basins.

Oil and natural gas exploration and production companies' and oilfield service providers' preferences and expectations have been evolving in recent years. A proppant vendor's logistics capabilities have become an important differentiating factor when competing for business on both a spot and contract basis. Many of our customers increasingly seek convenient in-basin proppant delivery capability from their proppant supplier. We believe that, over time, proppant customers will prefer to consolidate their purchases across a smaller group of suppliers with robust logistics capabilities and a broad offering of high performance proppants.

Industrial and specialty products end market trends

Demand in the industrial and specialty products end markets is relatively stable and is primarily influenced by key macroeconomic drivers such as housing starts, light vehicle sales, repair and remodel activity and industrial production. The primary end markets served by our production used in Industrial & Specialty Products are foundry, building products, sports and recreation, glassmaking and filtration. We have been increasing our value-added product offerings in the industrial and specialty products end markets. These new higher margin product sales have increased our Industrial & Specialty Products segment's profitability.

Our Business Strategy

The key drivers of our growth strategy include:

- ***Expand our Oil & Gas Proppants production capacity and product portfolio.*** We continue to consider and execute several initiatives to increase our frac sand production capacity and augment our proppant product portfolio.
  - While we made various initial investments or initial evaluations of new Greenfield sites in recent years, these expansion projects have been given lower priority due to the current frac sand market conditions. Our current focus for expanding production capacity is on maximizing existing production facility efficiencies.
  - In order to increase our resin coated product portfolio, during 2015, we announced the introduction of InnoProp® Python RCS, a new high-performance resin coated proppant designed to increase the production of oil and gas wells in an economical and efficient manner. In early 2016, we introduced another new resin coated product, InnoProp® PLT, which is a curable low-temperature product and can be used without an activator in oil and gas wells that have bottom-hole static temperatures down to 70°F.
- ***Increase our presence and product offering in industrial and specialty products end markets.*** Our research and business development teams work in tandem with our customers to develop new products, which we expect will either increase our presence and market share in certain industrial and specialty products end markets or allow us to enter new markets. We manage a robust pipeline of new products in various stages of development. Some of these products have already come to market, resulting in a positive impact on our financial results. We continue to work toward offering more value-added industrial and specialty products that will enhance the profitability of the business.
- ***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, 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 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 key 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 2015, we opened our Odessa, Texas unit train receiving transload facility, which was built in partnership with Union Pacific Railroad to support mainly the Permian market. We expect to 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. As of March 31, 2016, we have storage capacity at 50 transloads located near all of the major shale basins in the United States.

- ***Evaluate both Greenfield and Brownfield expansion opportunities and other acquisitions.*** We expect to continue leveraging 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. We are continuing to consider pursuing acquisitions to grow by taking advantage of our asset footprint, our management's experience with high-growth businesses, and our strong customer relationships. Our primary objective is to acquire assets with differing levels of frac sand qualities that are complementary to our Oil & Gas Proppants segment, with a focus on mining, processing and logistics to further enhance our market presence. We prioritize acquisitions that provide opportunities to realize synergies (and, in some cases, the acquisition may be accretive assuming synergies), including entering new geographic and frac sand product markets, acquiring attractive customer contracts and improving operations. We are in active discussions to acquire assets fitting this strategy, which, if completed, would be "significant" under Regulation S-X and could require additional sources of financing. There can be no assurance that we will reach a definitive agreement and complete any of these potential transactions. See the risk factors disclosed in Item 1A of Part I of our 2015 Annual Report, including the risk factor entitled, "If we cannot successfully complete acquisitions or integrate acquired businesses, our growth may be limited and our financial condition may be adversely affected."
- ***Maintain financial strength and flexibility***. We intend to maintain financial strength and flexibility to enable us to better manage through the oil and gas proppant industry downturn and pursue acquisitions and new growth opportunities as they arise. In March 2016, we completed a public offering of 10,000,000 shares of our common stock for total cash proceeds of approximately $186.2 million net of underwriting discounts and offering costs. As of March 31, 2016, we had $463.4 million of cash on hand, $6.8 million in short-term investments and $46.7 million of availability under our 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 and the number of tons sold. The price 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. We invoice the majority of our customers on a per shipment basis, although for some larger customers, we consolidate invoices weekly or monthly. Our five largest customers accounted for approximately 39% of total sales during the three months ended March 31, 2016. Sales to our largest customer, Halliburton Company accounted for 14% of our total revenues during the three months ended March 31, 2016. No other customer accounted for 10% or more of our total revenues.

We primarily sell our products under short-term price agreements or at prevailing market rates. For a number of customers, we sell under long-term, competitively-bid contracts. As of March 31, 2016, we have seven take-or-pay supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2016 and 2019. 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. Prices under these agreements are generally fixed and subject to upward adjustment in response to certain cost increases. Additionally, at the time the take-or-pay supply agreements were signed, some customers provided advance payments for future shipments. A percentage of these advance payments is recognized as revenue with each ton of applicable product shipped to the customer. Collectively, sales to customers with take-or-pay supply agreements accounted for 23% and 36% of our total company revenue during the three months ended March 31, 2016 and 2015, respectively. Although sales under take-or-pay supply agreements may 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, which helps us lower market risk arising from adverse changes in spot prices and market conditions. Additionally, selling more tons under supply contracts also enables us to be more efficient from a production, supply chain and logistics standpoint. As discussed in Part I, Item 1A., "Risk Factors", of our 2015 Annual Report—"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.

Historically we have not entered into long term take-or-pay contracts with our customers in the industrial and specialty products end markets because of the high cost to our customers of switching providers. With these customers, we often enter into price agreements which are typically negotiated annually.

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.

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 tons 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 tons 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 N - 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 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 contain covenants that restrict, subject to certain exceptions, our ability to make permitted acquisitions, incur additional indebtedness, make restricted payments (including dividends) and retain excess cash flow based, in some cases, on our ability to meet leverage ratios calculated based on our Adjusted EBITDA.

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,	
	2016	**2015**
	(amounts in thousands)	
Net income (loss)	$ (10,660)	$ 14,823
Total interest expense, net of interest income	6,370	6,940
Provision for taxes	(8,493)	3,453
Total depreciation, depletion and amortization expenses	14,556	13,243
EBITDA	1,773	38,459
Non-cash incentive compensation (1)	1,906	2,090
Post-employment expenses (excluding service costs) (2)	765	868
Business development related expenses (3)	107	8,328
Other adjustments allowable under our existing credit agreement (4)	701	1,538
Adjusted EBITDA	$ 5,252	$ 51,283

(1) Reflects equity-based compensation expense.

(2) Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period. See Note L - Pension and Post-retirement Benefits to our Financial Statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

(3) Reflects expenses related to business development activities in connection with our growth and expansion initiatives.

(4) Reflects miscellaneous adjustments permitted under our existing credit agreement, including such items as restructuring costs. The 2016 amount includes a gain on insurance settlement of $1.5 million and restructuring costs of $2.2 million for actions that will provide future cost savings.

Results of Operations for the Three Months Ended March 31, 2016 and 2015

Sales

(amounts in thousands except per ton data)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Amount Change '16 vs. '15	Percent Change '16 vs. '15
Sales:				
Oil & Gas Proppants	$ 73,865	$ 148,753	$ (74,888)	(50)%
Industrial & Specialty Products	48,645	55,205	(6,560)	(12)%
Total Sales	$ 122,510	$ 203,958	$ (81,448)	(40)%
Tons:				
Oil & Gas Proppants	1,411	1,688	(277)	(16)%
Industrial & Specialty Products	862	983	(121)	(12)%
Total Tons	2,273	2,671	(398)	(15)%
Average Selling Price per Ton:				
Oil & Gas Proppants	$ 52.35	$ 88.12	$ (35.77)	(41)%
Industrial & Specialty Products	56.43	56.16	0.27	— %
Overall Average Selling Price per Ton:	$ 53.90	$ 76.36	$ (22.46)	(29)%

Total sales decreased 40% for the three months ended March 31, 2016 compared to the three months ended March 31, 2015, driven by a 15% decrease in total tons sold and a 29% decrease in overall average selling price. Tons sold in-basin represented 49% and 63% of total company tons sold for the three months ended March 31, 2016 and 2015, respectively.

The decrease in total sales was primarily driven by Oil & Gas Proppants sales, which decreased 50%. Oil & Gas Proppants tons sold for the three months ended March 31, 2016 decreased 16% and average selling price decreased 41%. These decreases were driven by a year over year decrease in demand for our frac sand from customers due to reduced drilling and completion activity.

Industrial & Specialty Products sales decreased by 12% for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. Tons sold decreased 12% driven by our strategic shift among customers and products. The increase in average selling price was primarily a result of new higher-margin product sales and price increases.

Cost of Goods Sold

Cost of goods sold decreased by $31.9 million, or 23%, to $106.8 million for the three months ended March 31, 2016 compared to $138.7 million for the three months ended March 31, 2015. The decrease is mainly a result of fewer tons sold. As a percentage of sales, costs of goods sold increased to 87% for the three months ended March 31, 2016 compared to 68% for the same period in 2015. These changes result from the main components of cost of goods sold as discussed below.

We incurred $52.1 million and $73.0 million of transportation and related costs for the three months ended March 31, 2016 and 2015, respectively. This decrease was due to fewer tons sold through transloads caused by lower demand for our frac sand at our transload sites. As a percentage of sales, transportation and related costs increased to 43% for the three months ended March 31, 2016 compared to 36% for the same period in 2015 mainly due to a lower average selling price.

We incurred $19.7 million and $21.3 million of operating labor costs for the three months ended March 31, 2016 and 2015, respectively. The $1.6 million decrease in labor costs incurred was primarily due to fewer tons sold and lower employee headcount. As a percentage of sales, operating labor costs represented 16% for the three months ended March 31, 2016 compared to 10% for the same period in 2015.

We incurred $6.7 million and $8.2 million of electricity and drying fuel (principally natural gas) costs for the three months ended March 31, 2016 and 2015, respectively. The $1.5 million decrease in electricity and drying fuel costs incurred was mainly driven by fewer tons sold and lower natural gas prices. As a percentage of sales, electricity and drying fuel costs increased to 5% for the three months ended March 31, 2016 compared to 4% for the same period in 2015.

We incurred $8.1 million and $10.2 million of maintenance and repair costs for the three months ended March 31, 2016 and 2015, respectively. The decrease in maintenance and repair costs incurred was due to fewer tons sold. As a percentage of sales, maintenance and repair costs increased to 7% for the three months ended March 31, 2016 compared to 5% for the same period in 2015.

Segment Contribution Margin

Oil & Gas Proppants contribution margin decreased by $51.3 million, or 98%, to $0.9 million for the three months ended March 31, 2016 compared to $52.2 million for the three months ended March 31, 2015, driven by a $74.9 million decrease in segment revenue, partially offset by lower segment cost of goods sold mainly due to fewer tons sold.

Industrial & Specialty Products contribution margin increased by $1.4 million, or 9%, to $16.9 million for the three months ended March 31, 2016 compared to $15.5 million for the three months ended March 31, 2015, driven by increased higher-margin products sales as a percentage of total sales and higher prices.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $11.5 million, or 42%, to $15.5 million for the three months ended March 31, 2016 compared to $27.0 million for the three months ended March 31, 2015. The decrease was due to the following factors:

- Business development-related expense decreased by $8.2 million to $0.1 million for the three months ended March 31, 2016 compared to $8.3 million for the three months ended March 31, 2015, primarily due to expenses related to an unfavorable arbitration ruling during the three months ended March 31, 2015. See Note J - Commitments and Contingencies of our Financial Statements for more information about this arbitration ruling.
- Compensation-related expense decreased by $2.8 million for the three months ended March 31, 2016 compared to 2015, driven by lower employee headcount.
- Bad debt expense stayed consistent at $0.2 million for both the three months ended March 31, 2016 and the three months ended March 31, 2015.

In total, our selling, general and administrative costs represented approximately 13% and 13% of our sales for the three months ended March 31, 2016 and 2015, respectively.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased by $1.3 million, or 10%, to $14.6 million for the three months ended March 31, 2016 compared to $13.2 million for the three months ended March 31, 2015. The year over year increase was driven by the addition of our Utica, Illinois plant, Odessa, Texas transload facility and other capital spending. Depreciation, depletion and amortization costs represented approximately 12% and 6% of our sales for the three months ended March 31, 2016 and 2015, respectively.

Operating Income (Loss)

Operating income decreased by $39.4 million, or 157%, to $(14.3) million for the three months ended March 31, 2016 compared to $25.1 million for the three months ended March 31, 2015. The decrease was due to a 40% decrease in sales and a 10% increase in depreciation, depletion and amortization expense, partially offset by a 23% decrease in cost of goods sold and a 42% decrease in selling, general and administrative expense.

Interest Expense

Interest expense decreased by $0.2 million, or 3%, to $6.6 million for the three months ended March 31, 2016 compared to $6.8 million for the three months ended March 31, 2015, driven by decreases in debt principal and customer prepayment recorded as deferred revenue.

Provision for Income Taxes

The provision for income taxes decreased $11.9 million to an $8.5 million tax benefit for the three months ended March 31, 2016 compared to a $3.5 million tax expense for the three months ended March 31, 2015. The decrease was driven primarily by decreased income before income taxes. The effective tax rate was 44% and 19% for the three months ended

March 31, 2016 and 2015, respectively. See accompanying Note K - Income Taxes of our Financial Statements for more information.

Historically, our actual effective tax rates have differed from 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.

Other income, net, including interest income

Other income was $1.8 million and $11 thousand for the three months ended March 31, 2016 and 2015, respectively. The increase was mainly due to a gain of $1.5 million on insurance settlements that we received during the three months ended March 31, 2016.

Net Income (Loss)

Net loss was $10.7 million for the three months ended March 31, 2016 compared to a net income of $14.8 million for the three months ended March 31, 2015. The year over year decrease was 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 cash on hand or 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. In March 2016, we completed a public offering of 10,000,000 shares of our common stock for total cash proceeds of approximately $186.2 million net of underwriting discounts and offering costs. As of March 31, 2016, our working capital was $536.8 million, and we had $46.7 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 and any dividends declared for at least the next 12 months.

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 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 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 (in thousands) is shown in the following table:

	Three Months Ended March 31,		Percent Change
	2016	**2015**	**’16 vs. ‘15**
Net cash provided by (used in):			
Operating activities	$ (3,754)	$ 19,784	(119)%
Investing activities	9,010	(13,305)	(168)%
Financing activities	181,062	(23,746)	(862)%

Net Cash Provided by (Used in) Operating Activities

Operating activities consist primarily of net income adjusted for certain non-cash and working capital 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 used in operating activities was $3.8 million for the three months ended March 31, 2016 compared to net cash provided by operating activities of $19.8 million for the three months ended March 31, 2015. This $23.5 million decrease in cash provided by operations was the result of a $25.5 million decrease in net income and the impact of the other components of operating activities.

Net Cash Provided by (Used in) Investing Activities

Investing activities consist primarily of capital expenditures for growth and maintenance and proceeds from the sale and maturity of short-term investments.

Net cash provided by investing activities was $9.0 million for the three months ended March 31, 2016. This was due to $15.0 million in proceeds from sales and maturities of short-term investments being partially offset by capital expenditures. Capital expenditures for the three months ended March 31, 2016, which totaled $6.1 million, were primarily for the engineering, procurement and construction of our growth projects and other maintenance and cost improvement capital projects.

Net cash used in investing activities was $13.3 million for the three months ended March 31, 2015. Capital expenditures for the three months ended March 31, 2015, which totaled $13.4 million, were primarily for the engineering, procurement and construction of our Greenfield raw sand plant near Fairchild, Wisconsin, our new transload facility in Odessa, Texas, an expansion project at our Pacific, Missouri facility and other maintenance capital projects.

Subject to our continuing evaluation of market conditions, we anticipate that our capital expenditures in 2016 will be in the range of $15 million to $20 million, which is primarily associated with growth, maintenance and cost improvement capital projects. We expect to fund our capital expenditures through cash on our balance sheet, cash generated from our operations and cash generated from financing activities.

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 advance payments from our customers.

Net cash provided by financing activities was $181.1 million for the three months ended March 31, 2016, driven by $200.0 million of common stock issuances, partially offset by $13.8 million of common stock issuance costs, $3.4 million of dividends paid and $1.3 million of long-term debt payments.

Net cash used in financing activities was $23.7 million for the three months ended March 31, 2015, driven by $15.3 million of common stock repurchases, $6.8 million of dividends paid and $1.3 million of long-term debt payments.

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 2015 Annual Report. For more details on future minimum annual commitments under such operating leases, please see accompanying Note J - Commitments and Contingencies 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, 2016, we had $12.5 million accrued for future reclamation costs, as compared to $12.3 million as of December 31, 2015.

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 2015 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 2015 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, Compensation Committee and Nominating 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 21701 or 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. We address such market risks as discussed in "How We Generate Our Sales" in Item 2 of this Form 10-Q, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Interest Rate Risk

We are exposed to interest rate risk arising from adverse changes in interest rates. As of March 31, 2016, we have $498.0 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 $3.1 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 (in thousands) at March 31, 2016 and December 31, 2015.

		March 31, 2016			December 31, 2015		
	Maturity Date	Contract/Notional Amount	Carrying Amount	Fair Value	Contract/Notional Amount	Carrying Amount	Fair Value
Interest rate cap agreement[1]	2016	$252 million	$ —	$ —	$252 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.

Despite enhancing our examination of our customers' credit worthiness, we may still experience delays or failures in customer payments. Some of our customers have reported experiencing financial difficulties. With respect to customers that may file for bankruptcy protection, we may not be able to collect sums owed to us by these customers and we also may be required to refund pre-petition amounts paid to us during the preference period (typically 90 days) prior to the bankruptcy filing.

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, 2016. 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, 2016, 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, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 two, three and one new silicosis cases filed in 2012, 2013 and 2014, respectively. During the three months ended March 31, 2016, no additional claims were brought against us. As of March 31, 2016, there are a total of approximately 75 active silica-related products liability claims pending in which we were a defendant and approximately 166 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 covered 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 2015 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."

ITEM 1A. RISK FACTORS

As of March 31, 2016, there have been no material changes to the risk factors disclosed in Item 1A of Part I in our 2015 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 first quarter of 2016, 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 share 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)
February 2016	12,707 (2)	$ 15.84	—	
March 2016	13,554 (2)	$ 20.97	—	
Total	26,261	$ 18.41	—	$ 33,173,725

(1) A program covering the repurchase of up to $25.0 million of our common stock was initially announced in June 2012 and was increased to $50.0 million in December 2014. This program expires on December 11, 2016.

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

Subsequent to March 31, 2016, we have not repurchased any shares of our common stock.

For more details on the stock repurchase program, see Note B - 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, addressing 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 three 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 demand 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 and transload network access 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 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;
- our substantial indebtedness and pension obligations;
- restrictions imposed by our indebtedness on our current and future operations;
- contractual obligations that require us to deliver minimum amounts of frac sand or purchase minimum amounts of services;
- 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;
- 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 2015 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 2015 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 27th day of April, 2016.

U.S. Silica Holdings, Inc.

/s/ DONALD A. MERRIL

Name:	Donald A. Merril
Title:	Chief Financial Officer

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	Certificate of Change of Registered Agent and/or Registered Office	8-K	001-35416	3.1	May 11, 2015
3.3	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	Change in Control Severance Plan of U.S. Silica Holdings, Inc.	8-K	001-35416	10.1	February 23, 2016
10.2	Amendment to Employment Agreement by and between U.S. Silica Holdings, Inc. and Bryan Shinn.	8-K	001-35416	10.2	February 23, 2016
10.3	Omnibus Amendment to Award Agreements.	8-K	001-35416	10.3	February 23, 2016
10.4*	Form of Performance Share Unit Agreement (TSR metric).				
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 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				

* 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 10.4

PERFORMANCE SHARE UNIT AGREEMENT
PURSUANT TO THE
2011 INCENTIVE COMPENSATION PLAN

*** * * * ***

Participant:

Grant Date:

Number of Performance Share Units Granted at Target Performance:

*** * * * ***

THIS PERFORMANCE SHARE UNIT AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between U.S. Silica Holdings, Inc., a corporation organized in the State of Delaware (the "Company"), and the Participant specified above, pursuant to the Amended and Restated 2011 Incentive Compensation Plan, as in effect and as amended from time to time (the "Plan"), which is administered by the Committee; and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the performance share units ("PSUs") provided herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt**. This Agreement is subject in all respects to the terms and provisions of the Plan and the Company's Executive Compensation Clawback Policy (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the Award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and the Executive Compensation Clawback Policy and that the Participant has read the Plan and the Executive Compensation Clawback Policy carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

2. **Grant of Performance Share Unit Award**. The Company hereby grants to the Participant, as of the Grant Date specified above, the number of PSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of the shares of Common Stock underlying the PSUs, except as otherwise specifically provided for in the Plan or this Agreement. Notwithstanding any other provision herein to the contrary, to the extent applicable to the Participant hereunder, the Award is

intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code and shall be subject in all respects to all of the terms and conditions of the Plan required for such qualification.

3. **Vesting**.

(a) Performance-Based Vesting. Subject to the provisions of Sections 3(b) through 3(d) hereof, the PSUs subject to this grant shall become performance vested based on the Company's total shareholder return, or "TSR" (as defined below) for the performance period beginning on January 1, 2016 and ending on December 31, 2018 (the "Performance Period") expressed as a percentage ranking as compared to the TSR for the Performance Period of each of the companies in the S&P SmallCap 600 Energy Sector Index that are part of such index at both the beginning and the end of the Performance Period (the "TSR Ranking"), in accordance with the following schedule, subject to the Participant's continued employment with the Company or its Subsidiaries through the end of the Performance Period:

TSR Ranking January 1, 2016 through December 31, 2018	**Number of PSUs Vested as Percentage of Target**
Less Than 30th percentile	0%
30th percentile	50% (Threshold)
50th percentile	100%
75th percentile	150%
Equal to or Greater Than 90th percentile	200% (Maximum)

To the extent that actual TSR Ranking for the Performance Period hereunder is between any two levels provided in the table above, the number of PSUs to become vested hereunder shall be determined on a pro rata basis using straight line interpolation; provided that no PSUs shall become vested if the actual TSR Ranking for the Performance Period is less than the Threshold level of performance set forth in the schedule above; and provided, further, that the maximum number of PSUs that may become vested shall not exceed the number of PSUs set forth in the schedule above corresponding to the Maximum level of performance set forth in the schedule above.

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

(b) Termination due to death or Disability, without Cause or due to Retirement. Subject to the provisions of Sections 3(c) and 3(d) hereof, in the event of the Participant's Termination as a result of death or Disability, by the Company without Cause, or due to the Participant's "Retirement" (as defined below) at any time prior to the end of the Performance Period, the requirement that the Participant remain in the continued employment of the Company or its Subsidiaries through the end of the Performance Period in order for the time-based vesting condition to be satisfied under Section 3(a) hereof shall be waived as of the date of such Termination. Thereafter, the PSUs shall continue to remain outstanding until the Committee can certify the Company's TSR Ranking for the Performance Period, and the PSUs shall become vested or be forfeited based on actual performance on a pro rata basis (as determined in accordance with the following sentence) in accordance with the otherwise applicable vesting conditions set forth in Section 3(a) hereof, and shall be paid, to the extent so earned and vested, as provided in Section 4 hereof. For purposes of determining the pro rated number of PSUs to become vested under this Section 3(b), the number of PSUs that would have become vested based on actual performance for the full Performance Period in accordance with Section 3(a) hereof shall be multiplied by a fraction, the numerator of which is the number of calendar days in the period beginning with the date of commencement of the Performance Period and ending on the date of such Termination, and the denominator of which is one thousand ninety six (1,096). For purposes hereof, the term "Retirement" shall mean the Participant's voluntary Termination of Employment at or after age sixty-five (65) or such earlier date after age fifty (50), in either case, as may be approved by the Committee in its sole discretion with regard to the Participant.

(c) Change in Control. Notwithstanding the provisions of Sections 3(a) and 3(b) hereof, in the event of the Participant's Termination as a result of death or Disability, by the Company without Cause, by the Participant for "Good Reason" (as defined below) or as a result of the Participant's Retirement, in any case, at any time upon or following a Change in Control but prior to the end of the Performance Period, the PSUs shall become vested based on the Target level of performance set forth in Section 3(a) hereof as of the date of such Termination, and shall be paid, to the extent so vested, as provided in Section 4 hereof. For purposes hereof, the term "Good Reason" shall mean (i) a material reduction in the Participant's annual base salary rate of compensation; (ii) a required relocation of more than 50 miles from the Participant's primary place of employment with the Company or its Affiliates; or (iii) a material, adverse change in the Participant's title, reporting relationship, authority, duties or responsibilities; provided, however, that to invoke a Termination for Good Reason, (A) the Participant must provide written notice to the Company within thirty (30) days of the event the Participant believes constitutes Good Reason, (B) the Company must fail to cure such event within thirty (30) days of the receipt of such written notice and (C) the Participant must terminate employment within five (5) days following the expiration of the Company's cure period described above.

(d) Committee Discretion to Accelerate Vesting. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of the PSUs at any time and for any reason.

(e) Effect of Detrimental Activity. The provisions of Section 10.4 of the Plan regarding Detrimental Activity shall apply to the PSUs.

(f) Forfeiture. Subject to the provisions of Sections 3(b) through 3(d) hereof, all unvested PSUs shall be immediately forfeited upon the Participant's Termination for any reason.

4. **Delivery of Shares**.

(a) General. Subject to the provisions of Sections 4(b) and 4(c) hereof, within two and one-half months following the full vesting of the PSUs, the Participant shall receive the number of shares of Common Stock that correspond to the number of PSUs that have become vested hereunder; provided that the Participant shall be obligated to pay to the Company the aggregate par value of the shares of Common Stock to be issued within ten (10) days following the issuance of such shares unless such shares have been issued by the Company from the Company's treasury.

(b) Blackout Periods. If the Participant is subject to any Company "blackout" policy or other trading restriction imposed by the Company on the date such distribution would otherwise be made pursuant to Section 4(a) hereof, such distribution shall be instead made on the earlier of (i) the date that the Participant is not subject to any such policy or restriction and (ii) the later of (A) the end of the calendar year in which such distribution would otherwise have been made, and (B) a date that is immediately prior to the expiration of two and one-half months following the date such distribution would otherwise have been made hereunder.

(c) Deferrals. If permitted by the Company, the Participant may elect, subject to the terms and conditions of the Plan and any other applicable written plan or procedure adopted by the Company from time to time for purposes of such election, to defer the distribution of all or any portion of the shares of Common Stock that would otherwise be distributed to the Participant hereunder (the "Deferred Shares"), consistent with the requirements of Section 409A of the Code. Upon the vesting of PSUs that have been so deferred, the applicable number of Deferred Shares shall be credited to a bookkeeping account established on the Participant's behalf (the "Account"). Subject to Section 5 hereof, the number of shares of Common Stock equal to the number of Deferred Shares credited to the Participant's Account shall be distributed to the Participant in accordance with the terms and conditions of the Plan and the other applicable written plans or procedures of the Company, consistent with the requirements of Section 409A of the Code.

5. **Dividends; Rights as Stockholder**. The Participant shall have no rights to any dividends paid on any shares of Common Stock covered by any PSU unless and until the Participant has become the holder of record of such shares. The Participant shall have no other rights as a stockholder with respect to any shares of Common Stock covered by any PSU unless and until the Participant has become the holder of record of such shares.

6. **Non-Transferability**. No portion of the PSUs may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to the Company as a result of forfeiture of the PSUs as provided herein, unless and until payment is made in respect of vested PSUs in accordance with the provisions hereof and the Participant has become the holder of record of the vested shares of Common Stock issuable hereunder.

7. **Governing Law**. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof.

8. **Withholding of Tax**. The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the PSUs and, if the Participant fails to do so, the Company may otherwise refuse to issue or transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement. Any statutorily required withholding obligation with regard to the Participant may be satisfied by reducing the amount of cash or shares of Common Stock otherwise deliverable to the Participant hereunder.

9. **Legend**. The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Common Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares of Common Stock acquired pursuant to this Agreement in the possession of the Participant in order to carry out the provisions of this Section 9.

10. **Securities Representations**. This Agreement is being entered into by the Company in reliance upon the following express representations and warranties of the Participant. The Participant hereby acknowledges, represents and warrants that:

(a) The Participant has been advised that the Participant may be an “affiliate” within the meaning of Rule 144 under the Securities Act and in this connection the Company is relying in part on the Participant’s representations set forth in this Section 10.

(b) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the shares of Common Stock issuable hereunder must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a “re-offer prospectus”) with regard to such shares of Common Stock and the Company is under no obligation to register such shares of Common Stock (or to file a “re-offer prospectus”).

(c) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the Participant understands that (i) the exemption from registration under Rule 144 will not be available unless (A) a public trading market then exists for the Common Stock of the Company, (B) adequate information concerning the Company is then available to the public, and (C) other terms and conditions of Rule 144 or any exemption therefrom are complied with, and (ii) any sale of the shares of Common Stock issuable hereunder may be made only in limited amounts in accordance with the terms and conditions of Rule 144 or any exemption therefrom.

11. **Entire Agreement; Amendment**. This Agreement, together with the Plan and the Executive Compensation Clawback Policy, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

12. **Notices**. Any notice hereunder by the Participant shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof by the General Counsel of the Company. Any notice hereunder by the Company shall be given to the Participant in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Participant may have on file with the Company.

13. **No Right to Employment**. Any questions as to whether and when there has been a Termination and the cause of such Termination shall be determined in the sole discretion of the Committee. Nothing in this Agreement shall interfere with or limit in any way the right of the Company, its Subsidiaries or its Affiliates to terminate the Participant’s employment or service at any time, for any reason and with or without Cause.

14. **Transfer of Personal Data**. The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary) of any personal data information related to the PSUs awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

15. **Compliance with Laws**. The grant of PSUs and the issuance of shares of Common Stock hereunder shall be subject to, and shall comply with, any applicable requirements of any foreign and

U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law, rule regulation or exchange requirement applicable thereto. The Company shall not be obligated to issue the PSUs or any shares of Common Stock pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the settlement of the PSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

16. **Binding Agreement; Assignment**. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except in accordance with Section 6 hereof) any part of this Agreement without the prior express written consent of the Company.

17. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

18. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

19. **Further Assurances**. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

20. **Severability**. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

21. **Acquired Rights**. The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the Award of PSUs made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the PSUs awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

U.S. SILICA HOLDINGS, INC.

By:_____________

Name: Bryan A. Shinn

Title: President and Chief Executive Officer

PARTICIPANT

Name:

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, 2016;

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 27, 2016

/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, 2016;

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 27, 2016

/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, 2016 (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 27, 2016

/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, 2016 (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 27, 2016

/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, 2016:

Mine(1)	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Proposed Assessments[2] ($, amounts in dollars)	Mining Related Fatalities (#)
Ottawa, IL	1	—	—	—	—	$ —	—
Mill Creek, OK	—	—	—	—	—	—	—
Pacific, MO	—	—	—	—	—	200	—
Berkeley Springs, WV	2	—	—	—	—	285	—
Mapleton Depot, PA	—	—	—	—	—	—	—
Kosse, TX	—	—	—	—	—	—	—
Mauricetown, NJ	—	—	—	—	—	100	—
Columbia, SC	1	—	—	—	—	—	—
Montpelier, VA	—	—	—	—	—	—	—
Rockwood, MI	—	—	—	—	—	600	—
Jackson, TN	—	—	—	—	—	—	—
Dubberly, LA	—	—	—	—	—	100	—
Hurtsboro, AL	—	—	—	—	—	—	—
Sparta, WI	—	—	—	—	—	—	—
Voca, TX	—	—	—	—	—	—	—
Peru, IL	—	—	—	—	—	200	—
Utica, IL	—	—	—	—	—	—	—

(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) 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 quarter ended March 31, 2016.

Pattern or Potential Pattern of Violations. During the quarter ended March 31, 2016, 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. There were 94 legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) as of March 31, 2016, each of which is a contest proceeding filed by us to challenge a citation or order issued by MSHA under the Mine Act and includes 38 contests challenging Section 104 S&S citations. During the quarter ended March 31, 2016, 13 legal actions were instituted and 12 legal actions were resolved. 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.

Exhibit 99.1

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, 2016 (the "Quarterly Report") of U.S. Silica Holdings, Inc. (the "Company") and the quotation by the Company in the Quarterly Report from 2014 Proppant Market Report, published February 2015. 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 27, 2016