

**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 September 30, 2020

OR

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

Commission file number 001-35416



**U.S. Silica Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
Incorporation or Organization)

**26-3718801**  
(I.R.S. Employer  
Identification No.)

**24275 Katy Freeway, Suite 600**

**Katy, Texas 77494**

(Address of Principal Executive Offices) (Zip Code)

**(281) 258-2170**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	SLCA	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 28, 2020, 73,949,978 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 September 30, 2020

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**PART I-FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**U.S. SILICA HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited; dollars in thousands)**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 134,923	\$ 185,740
Accounts receivable, net	173,827	182,238
Inventories, net	104,711	124,432
Prepaid expenses and other current assets	44,280	16,155
Income tax deposits	—	475
Total current assets	<u>457,741</u>	<u>509,040</u>
Property, plant and mine development, net	1,415,636	1,517,587
Operating lease right-of-use assets	41,265	53,098
Goodwill	185,649	273,524
Intangible assets, net	164,632	183,815
Other assets	11,724	16,170
Total assets	<u>\$ 2,276,647</u>	<u>\$ 2,553,234</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 128,193	\$ 248,237
Current portion of operating lease liabilities	30,887	53,587
Current portion of long-term debt	44,248	18,463
Current portion of deferred revenue	15,531	15,111
Total current liabilities	<u>218,859</u>	<u>335,398</u>
Long-term debt, net	1,208,969	1,213,985
Deferred revenue	28,811	35,523
Liability for pension and other post-retirement benefits	67,913	58,453
Deferred income taxes, net	40,334	38,585
Operating lease liabilities	76,827	117,964
Other long-term liabilities	31,268	36,746
Total liabilities	<u>1,672,981</u>	<u>1,836,654</u>
<b>Commitments and Contingencies (Note O)</b>		
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; zero issued and outstanding at September 30, 2020 and December 31, 2019	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 83,076,544 issued and 73,937,777 outstanding at September 30, 2020; 82,601,926 issued and 73,601,950 outstanding at December 31, 2019	827	823
Additional paid-in capital	1,197,464	1,185,116
Retained deficit	(400,061)	(279,956)
Treasury stock, at cost, 9,138,767 and 8,999,976 shares at September 30, 2020 and December 31, 2019, respectively	(181,542)	(180,912)
Accumulated other comprehensive loss	(24,841)	(19,854)
Total U.S. Silica Holdings, Inc. stockholders' equity	<u>591,847</u>	<u>705,217</u>
Non-controlling interest	11,819	11,363
Total stockholders' equity	<u>603,666</u>	<u>716,580</u>
Total liabilities and stockholders' equity	<u>\$ 2,276,647</u>	<u>\$ 2,553,234</u>

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

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited; dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Sales:</b>				
Product	\$ 159,637	\$ 287,977	\$ 541,998	\$ 887,878
Service	16,835	73,837	76,610	247,540
Total sales	176,472	361,814	618,608	1,135,418
<b>Cost of sales (excluding depreciation, depletion and amortization):</b>				
Product	93,747	226,797	373,373	687,186
Service	13,845	56,836	60,279	188,145
Total cost of sales (excluding depreciation, depletion and amortization)	107,592	283,633	433,652	875,331
<b>Operating expenses:</b>				
Selling, general and administrative	27,216	40,208	96,394	113,523
Depreciation, depletion and amortization	40,069	47,126	115,604	136,625
Goodwill and other asset impairments	222	130	108,044	130
Total operating expenses	67,507	87,464	320,042	250,278
Operating income (loss)	1,373	(9,283)	(135,086)	9,809
<b>Other (expense) income:</b>				
Interest expense	(19,274)	(24,733)	(63,730)	(72,476)
Other (expense) income, net, including interest income	(409)	3,280	15,592	19,076
Total other expense	(19,683)	(21,453)	(48,138)	(53,400)
Loss before income taxes	(18,310)	(30,736)	(183,224)	(43,591)
Income tax benefit	4,094	7,671	63,785	7,259
Net loss	\$ (14,216)	\$ (23,065)	\$ (119,439)	\$ (36,332)
Less: Net loss attributable to non-controlling interest	(254)	(28)	(778)	(121)
Net loss attributable to U.S. Silica Holdings, Inc.	\$ (13,962)	\$ (23,037)	\$ (118,661)	\$ (36,211)
<b>Loss per share attributable to U.S. Silica Holdings, Inc.:</b>				
Basic	\$ (0.19)	\$ (0.31)	\$ (1.61)	\$ (0.49)
Diluted	\$ (0.19)	\$ (0.31)	\$ (1.61)	\$ (0.49)
<b>Weighted average shares outstanding:</b>				
Basic	73,688	73,328	73,601	73,223
Diluted	73,688	73,328	73,601	73,223
Dividends declared per share	\$ —	\$ 0.06	\$ 0.02	\$ 0.19

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

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited; dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	\$ (14,216)	\$ (23,065)	\$ (119,439)	\$ (36,332)
Other comprehensive loss:				
Unrealized gain (loss) on derivatives (net of tax of \$231 and \$156 for the three months ended September 30, 2020 and 2019, respectively, and \$973 and \$(803) for the nine months ended September 30, 2020 and 2019, respectively)	725	491	3,053	(2,520)
Foreign currency translation adjustment (net of tax of \$202 and \$(170) for the three months ended September 30, 2020 and 2019, respectively, and \$212 and \$(181) for the nine months ended September 30, 2020 and 2019, respectively)	631	(543)	662	(577)
Pension and other post-retirement benefits liability adjustment (net of tax of \$(1,048) and \$(1,270) for the three months ended September 30, 2020 and 2019, respectively, and \$(2,773) and \$(2,327) for the nine months ended September 30, 2020 and 2019, respectively)	(3,287)	(3,987)	(8,702)	(7,304)
Comprehensive loss	\$ (16,147)	\$ (27,104)	\$ (124,426)	\$ (46,733)
Less: Comprehensive loss attributable to non-controlling interest	(254)	(28)	(778)	(121)
Comprehensive loss attributable to U.S. Silica Holdings, Inc.	\$ (15,893)	\$ (27,076)	\$ (123,648)	\$ (46,612)

*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 (Deficit)	Accumulated Other Comprehensive Loss	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non- controlling Interest	Total Stockholders' Equity
Balance at June 30, 2020	\$ 826	\$ (181,413)	\$ 1,192,068	\$ (386,110)	\$ (22,910)	\$ 602,461	\$ 10,807	\$ 613,268
Net loss	—	—	—	(13,962)	—	(13,962)	(254)	(14,216)
Unrealized gain on derivatives	—	—	—	—	725	725	—	725
Foreign currency translation adjustment	—	—	—	—	631	631	—	631
Pension and post-retirement liability	—	—	—	—	(3,287)	(3,287)	—	(3,287)
Cash dividend declared	—	—	—	11	—	11	—	11
Contributions from non-controlling interest	—	—	—	—	—	—	1,266	1,266
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	5,397	—	—	5,397	—	5,397
Tax payments related to shares withheld for vested restricted stock and stock units	1	(129)	(1)	—	—	(129)	—	(129)
Balance at September 30, 2020	\$ 827	\$ (181,542)	\$ 1,197,464	\$ (400,061)	\$ (24,841)	\$ 591,847	\$ 11,819	\$ 603,666
Balance at June 30, 2019	\$ 821	\$ (180,775)	\$ 1,176,057	\$ 45,224	\$ (21,382)	\$ 1,019,945	\$ 12,520	\$ 1,032,465
Net loss	—	—	—	(23,037)	—	(23,037)	(28)	(23,065)
Unrealized gain on derivatives	—	—	—	—	491	491	—	491
Foreign currency translation adjustment	—	—	—	—	(543)	(543)	—	(543)
Pension and post-retirement liability	—	—	—	—	(3,987)	(3,987)	—	(3,987)
Cash dividend declared (\$0.0625 per share)	—	—	—	(4,682)	—	(4,682)	—	(4,682)
Contributions from non-controlling interest	—	—	—	—	—	—	56	56
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	3,722	—	—	3,722	—	3,722
Tax payments related to shares withheld for vested restricted stock and stock units	—	(58)	—	—	—	(58)	—	(58)
Balance at September 30, 2019	\$ 821	\$ (180,833)	\$ 1,179,779	\$ 17,505	\$ (25,421)	\$ 991,851	\$ 12,548	\$ 1,004,399

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Continued)**  
(Unaudited; dollars in thousands, except per share amounts)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive Loss	Total U.S. Silica Holdings Inc., Stockholders' Equity	Non-controlling Interest	Total Stockholders' Equity
Balance at December 31, 2019	\$ 823	\$ (180,912)	\$ 1,185,116	\$ (279,956)	\$ (19,854)	\$ 705,217	\$ 11,363	\$ 716,580
Net loss	—	—	—	(118,661)	—	(118,661)	(778)	(119,439)
Unrealized gain on derivatives	—	—	—	—	3,053	3,053	—	3,053
Foreign currency translation adjustment	—	—	—	—	662	662	—	662
Pension and post-retirement liability	—	—	—	—	(8,702)	(8,702)	—	(8,702)
Cash dividends	—	—	—	(1,444)	—	(1,444)	—	(1,444)
Contributions from non-controlling interest	—	—	—	—	—	—	1,234	1,234
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	12,352	—	—	12,352	—	12,352
Tax payments related to shares withheld for vested restricted stock and stock units	4	(630)	(4)	—	—	(630)	—	(630)
Balance at September 30, 2020	\$ 827	\$ (181,542)	\$ 1,197,464	\$ (400,061)	\$ (24,841)	\$ 591,847	\$ 11,819	\$ 603,666
Balance at December 31, 2018	\$ 818	\$ (178,215)	\$ 1,169,383	\$ 67,854	\$ (15,020)	\$ 1,044,820	\$ 7,484	\$ 1,052,304
Net loss	—	—	—	(36,211)	—	(36,211)	(121)	(36,332)
Unrealized loss on derivatives	—	—	—	—	(2,520)	(2,520)	—	(2,520)
Foreign currency translation adjustment	—	—	—	—	(577)	(577)	—	(577)
Pension and post-retirement liability	—	—	—	—	(7,304)	(7,304)	—	(7,304)
Cash dividend declared (\$0.1875 per share)	—	—	—	(14,138)	—	(14,138)	—	(14,138)
Contributions from non-controlling interest	—	—	—	—	—	—	5,185	5,185
Common stock-based compensation plans activity:								
Equity-based compensation	—	—	10,566	—	—	10,566	—	10,566
Proceeds from options exercised	—	295	(167)	—	—	128	—	128
Tax payments related to shares withheld for vested restricted stock and stock units	3	(2,913)	(3)	—	—	(2,913)	—	(2,913)
Balance at September 30, 2019	\$ 821	\$ (180,833)	\$ 1,179,779	\$ 17,505	\$ (25,421)	\$ 991,851	\$ 12,548	\$ 1,004,399

**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited; dollars in thousands)

	Nine Months Ended September 30,	
	2020	2019
<b>Operating activities:</b>		
Net loss	\$ (119,439)	\$ (36,332)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation, depletion and amortization	115,604	136,625
Goodwill and other asset impairments	108,044	130
Gain on valuation change of royalty note payable	—	(16,104)
Debt issuance amortization	3,855	4,304
Original issue discount amortization	778	792
Deferred income taxes	(65,645)	(8,489)
Deferred revenue	(6,292)	(32,379)
(Gain) loss on disposal of property, plant and equipment	(1,785)	58
Gain on early extinguishment of debt	—	(81)
Equity-based compensation	12,352	10,566
Provision for credit losses, net of recoveries	1,381	3,082
Gain on remeasurement of leases	(24,415)	—
Other	(2,381)	(13,197)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	81,234	3,792
Inventories	15,218	(35)
Prepaid expenses and other current assets	(25,384)	8,460
Income taxes	804	(396)
Accounts payable and accrued expenses	(102,449)	39,456
Short-term and long-term obligations-vendor incentives	—	4,021
Liability for pension and other post-retirement benefits	9,053	9,063
Other noncurrent assets and liabilities	(34,976)	3,045
Net cash (used in) provided by operating activities	<u>(34,443)</u>	<u>116,381</u>
<b>Investing activities:</b>		
Capital expenditures	(27,751)	(97,902)
Capitalized intellectual property costs	(531)	(3,493)
Proceeds from sale of property, plant and equipment	2,749	1,543
Net cash used in investing activities	<u>(25,533)</u>	<u>(99,852)</u>
<b>Financing activities:</b>		
Dividends paid	(6,169)	(13,880)
Proceeds from options exercised	—	128
Tax payments related to shares withheld for vested restricted stock and stock units	(630)	(2,913)
Proceeds from draw down of the Revolver	25,000	—
Payments on long-term debt	(10,235)	(20,207)
Contributions from non-controlling interest	1,234	5,185
Principal payments on finance lease obligations	(41)	(51)
Net cash provided by (used in) financing activities	<u>9,159</u>	<u>(31,738)</u>
Net decrease in cash and cash equivalents	<u>(50,817)</u>	<u>(15,209)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>185,740</u>	<u>202,498</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 134,923</u>	<u>\$ 187,289</u>



**U.S. SILICA HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(Unaudited; dollars in thousands)**

	Nine Months Ended September 30,	
	2020	2019
<b>Supplemental cash flow information:</b>		
Cash paid (received) during the period for:		
Interest	\$ 57,107	\$ 66,429
Taxes, net of refunds	\$ (35,676)	\$ (14,031)
Non-cash items:		
Accrued capital expenditures	\$ 15,111	\$ 27,357
Net assets assumed in business acquisition	\$ 8,241	\$ —

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

**U.S. SILICA HOLDINGS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited; dollars in thousands, except per share amounts)**

**NOTE A—ORGANIZATION AND BASIS OF PRESENTATION**

***Organization***

U.S. Silica Holdings, Inc. (“Holdings,” and together with its subsidiaries “we,” “us” or the “Company”) is a performance materials company and one of the largest domestic producers of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our acquisition of EP Minerals, LLC (“EPM”) and its affiliated companies in 2018, we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite. During our 120-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver products to customers across our end markets. Our operations are organized into two reportable segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. See Note U - Segment Reporting for more information on our reportable segments.

***Basis of Presentation and Consolidation***

The accompanying unaudited Condensed Consolidated Financial Statements for the quarter ended September 30, 2020 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, 2019; therefore, the unaudited Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. Operating results for the three-month period ended September 30, 2020 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2020. In the opinion of management, all adjustments necessary for a fair presentation have been included. Such adjustments are of a normal, recurring nature.

The unaudited Condensed Consolidated Financial Statements include the accounts of Holdings and its direct and indirect wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

We follow Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidance for identification and reporting of entities over which control is achieved through means other than voting rights. The guidance defines such entities as Variable Interest Entities (“VIEs”). We consolidate VIEs when we have variable interests and are the primary beneficiary. We continually evaluate our involvement with VIEs to determine when these criteria are met.

During the third quarter of 2018, we finalized a shareholders' agreement with unrelated parties to form a limited liability company with the purpose of constructing and operating a water pipeline to transport and sell water. In connection with the shareholders' agreement, we acquired a 50% equity ownership in the limited liability company for \$3.2 million, with a maximum initial capital contribution of \$7.0 million, and a water rights intangible asset for \$0.7 million. Based on our evaluation, we determined that this limited liability company is a VIE, of which we are the primary beneficiary, and therefore we are required to consolidate it. As of September 30, 2020, the VIE had total assets of \$17.9 million and total liabilities of \$0.1 million. We made \$0.2 million in capital contributions during the nine months ended September 30, 2020.

Throughout this report we refer to (i) our unaudited Condensed Consolidated Balance Sheets as our “Balance Sheets,” (ii) our unaudited Condensed Consolidated Statements of Operations as our “Income Statements,” and (iii) our unaudited Condensed Consolidated Statements of Cash Flows as our “Cash Flows.”

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Use of Estimates and Assumptions***

The preparation of consolidated financial statements in conformity with GAAP requires management 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 consolidated 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 the purchase price allocation for businesses acquired; 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 credit losses; estimates of fair value for certain reporting units and asset

impairments (including impairments of goodwill, intangible assets 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; contingent considerations; 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.

#### ***New Accounting Pronouncements Recently Adopted***

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The new guidance requires a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The update was effective for calendar-year public business entities in 2020. We adopted the new standard on January 1, 2020. The adoption of this ASU had no significant impact on our Condensed Consolidated Statements of Operations.

In November 2018, FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses. The amendments in this ASU clarified issues related to Topic 326. In Issue 1, the amendment in this ASU mitigates transition complexity by requiring that for nonpublic business entities the amendments in ASU 2016-13 are effective for fiscal years after December 15, 2021, including interim periods within those fiscal years. In Issue 2, the amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. The ASU was effective for all entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We adopted the new standard on January 1, 2020. The adoption of the new standard did not have a significant impact on our Condensed Consolidated Financial Statements as our current process for estimating expected credit losses for trade receivables aligned with the expected credit loss model. See Note F - Accounts Receivable for more information.

#### ***New Accounting Pronouncements Not Yet Adopted***

In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20). The new guidance removes certain disclosure requirements for employers which sponsor defined benefit pension or other post-retirement plans, but also adds disclosure requirements for the weighted average interest crediting rates for cash balance plans and other plans with promised crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The amendments also clarify disclosure requirements for the projected benefit obligation (PBO) and accumulated benefit obligation (ABO) and fair value of plan assets for plans with PBOs and ABOs in excess of plan assets. Entities should apply the amendments on a retrospective basis for all periods presented. The amendments in this ASU are effective for public entities for fiscal years ending after December 15, 2020. We are currently evaluating the effect that the guidance will have on our disclosures.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this ASU simplify the accounting for income taxes by removing several exceptions and also simplify the accounting for income taxes by requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction, specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements (however, an entity may elect to do so on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority, requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date, and making minor codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. For public business entities, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. We are currently evaluating the effect that the guidance will have on our consolidated financial statements and related disclosures.

## NOTE C—EARNINGS PER SHARE

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is computed similarly to basic earnings per common share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Diluted net earnings per share assumes the conversion of contingently convertible securities and stock options under the treasury stock method, if dilutive. Contingently convertible securities and stock options are excluded from the calculation of fully diluted earnings per share if they are anti-dilutive, including when we incur a loss from continuing operations.

The following table shows the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2020 and 2019:

<i>In thousands, except per share amounts</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net loss attributable to U.S. Silica Holdings, Inc.	\$ (13,962)	\$ (23,037)	\$ (118,661)	\$ (36,211)
Denominator:				
Weighted average shares outstanding	73,688	73,328	73,601	73,223
Diluted effect of stock awards	—	—	—	—
Weighted average shares outstanding assuming dilution	73,688	73,328	73,601	73,223
Loss per share attributable to U.S. Silica Holdings, Inc.:				
Basic loss per share	\$ (0.19)	\$ (0.31)	\$ (1.61)	\$ (0.49)
Diluted loss per share	\$ (0.19)	\$ (0.31)	\$ (1.61)	\$ (0.49)

Potentially dilutive shares (in thousands) of 348 and 91 for the three months ended September 30, 2020 and 2019, respectively, and 173 and 191 for the nine months ended September 30, 2020 and 2019, respectively, were excluded from the calculation of diluted weighted average shares outstanding and diluted earnings per share because we were in a net loss position. Certain stock options, restricted stock awards and performance share units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. Stock awards excluded from the calculation of diluted loss per common share were as follows:

<i>In thousands</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock options excluded	826	700	826	716
Restricted stock and performance share unit awards excluded	2,667	265	4,103	280

## NOTE D—CAPITAL STRUCTURE AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

### *Common Stock*

Our Amended and Restated Certificate of Incorporation authorizes up to 500,000,000 shares of common stock, par value of \$0.01. Subject to the rights of holders of any series of preferred stock, all of the voting power of the stockholders of Holdings shall be vested in the holders of the common stock. There were 83,076,544 shares issued and 73,937,777 shares outstanding at September 30, 2020. There were 82,601,926 shares issued and 73,601,950 shares outstanding at December 31, 2019.

During the nine months ended September 30, 2020, our Board of Directors declared quarterly cash dividends as follows:

Dividends per Common Share	Declaration Date	Record Date	Payable Date
\$ 0.02	February 10, 2020	March 13, 2020	April 3, 2020

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 and 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. During May of 2020, our Board of Directors determined that it was not in the best interest of our shareholders to issue a dividend for the second quarter of 2020 and they subsequently decided not to issue a dividend for the third quarter of 2020. The Board of Directors will make determinations regarding future dividends on a quarterly basis using the criteria described above.

### **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 September 30, 2020 or December 31, 2019. At present, we have no plans to issue any preferred stock.

### **Share Repurchase Program**

In May 2018, our Board of Directors authorized the repurchase of up to \$200 million of our common stock from time to time on the open market or in privately negotiated transactions. 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. As of September 30, 2020, we have repurchased a total of 5,036,139 shares of our common stock at an average price of \$14.59 and have \$126.5 million of remaining availability under this program. We did not repurchase any shares during the nine months ended September 30, 2020.

### **Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss consists of fair value adjustments associated with cash flow hedges, accumulated adjustments for net experience losses and prior service costs related to employee benefit plans and foreign currency translation adjustments, net of tax. The following table presents the changes in accumulated other comprehensive loss by component (in thousands) during the nine months ended September 30, 2020:

	For the Nine Months Ended September 30, 2020			
	Unrealized (loss) gain on cash flow hedges	Foreign currency translation adjustments	Pension and other post-retirement benefits liability	Total
Beginning Balance	\$ (3,053)	\$ (808)	\$ (15,993)	\$ (19,854)
Other comprehensive gain (loss) before reclassifications	3,053	662	(10,498)	(6,783)
Amounts reclassified from accumulated other comprehensive loss	—	—	1,796	1,796
Ending Balance	\$ —	\$ (146)	\$ (24,695)	\$ (24,841)

Amounts reclassified from accumulated other comprehensive loss related to cash flow hedges are included in interest expense in our Income Statements and amounts reclassified related to pension and other post-retirement benefits are included in the computation of net periodic benefit costs at their pre-tax amounts.

### **NOTE E—BUSINESS COMBINATIONS**

During the first quarter of 2020, we settled multiple intellectual property and contractual lawsuits involving our SandBox Logistics unit and Arrows Up, LLC. As part of the settlement, SandBox Logistics took control of Arrows Up's existing business, including all equipment and sand logistics contracts, while also receiving a cash payment.

We have accounted for the acquisition of Arrows Up, LLC under the acquisition method of accounting in accordance with ASC 805, Business Combinations. Estimates of fair value included in the Condensed Consolidated Financial Statements represent our best estimates and valuations. In accordance with the acquisition method of accounting, the fair values are subject to adjustment until we complete our analysis, within a period of time not to exceed one year after the date of acquisition, or March 7, 2021. This business combination resulted in a bargain purchase pursuant to ASC 805-30-25 because no consideration was paid for the fair value of assets acquired and liabilities assumed. The fair value of assets acquired, which included cash, accounts receivable, inventories, lease right-of-use assets, and property plant, and equipment, was \$19.9 million. The fair value of liabilities assumed, which included lease liabilities and other long-term liabilities, was \$2.5 million. A gain on bargain purchase of \$17.4 million was recorded in "Other income, net, including interest income" in the Condensed Consolidated Statement of Operations.

In the three months ended September 30, 2020, we recorded a \$0.1 million increase to accounts receivable. In the nine months ended September 30, 2020, we recorded a \$3.3 million decrease in inventory, a \$1.0 million increase to accounts receivable, and a \$0.1 million decrease to property, plant and equipment. The total measurement period adjustments during the nine months ended September 30, 2020 of \$2.4 million were recorded as a net decrease to the initial gain on bargain purchase and recorded in "Other (expense) income, net, including interest income" in the Condensed Consolidated Statement of Operations.

#### NOTE F—ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of our accounts receivable, net of the allowance for credit losses, represents their estimated net realizable value. At September 30, 2020 and December 31, 2019, accounts receivable (in thousands) consisted of the following:

	September 30, 2020	December 31, 2019
Trade receivables	\$ 133,127	\$ 178,182
Less: Allowance for credit losses	(6,677)	(8,984)
Net trade receivables	126,450	169,198
Other receivables <sup>(1)</sup>	47,377	13,040
Total accounts receivable	<u>\$ 173,827</u>	<u>\$ 182,238</u>

(1) At September 30, 2020, other receivables included \$42.3 million of refunds related to NOL carryback claims filed for various tax years in accordance with certain provisions of the CARES Act. At December 31, 2019, other receivables included \$8.1 million of refundable alternative minimum tax credits.

We classify our trade receivables into the following portfolio segments: Oil & Gas Proppants and Industrial & Specialty Products, which also aligns with our reporting segments. We estimate the allowance for credit losses based on historical collection trends, the age of outstanding receivables, risks attributable to specific customers, such as credit history, bankruptcy or other going concern issues, and current economic and industry conditions. If events or circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due balances are written off when we have exhausted our internal and external collection efforts and have been unsuccessful in collecting the amount due.

The following table reflects the change of the allowance for credit losses (in thousands) for the nine months ended September 30, 2020, disaggregated by portfolio segments:

	Oil & Gas Proppants	Industrial & Specialty Products	Total
Beginning balance, December 31, 2019	\$ 7,640	\$ 1,344	\$ 8,984
Provision for credit losses	1,340	41	1,381
Write-offs	(3,328)	(360)	(3,688)
Ending balance, September 30, 2020	<u>\$ 5,652</u>	<u>\$ 1,025</u>	<u>\$ 6,677</u>

Our ten largest customers accounted for 23% and 32% of total sales for the three and nine months ended September 30, 2020, respectively, and 43% and 42% for the three and nine months ended September 30, 2019, respectively. No customers accounted for 10% or more of our total sales for the three or nine months ended September 30, 2020. Sales to one of our customers accounted for 11% and 12% for the three and nine months ended September 30, 2019, respectively. No other customers accounted for 10% or more of our total sales during the same period. At September 30, 2020, one of our customer's accounts receivable represented 15% of our total trade accounts receivable. At December 31, 2019, the same customer's accounts receivable represented 12% of our total trade accounts receivable. No other customers accounted for 10% or more of our total trade accounts receivable during the same period.

#### NOTE G—INVENTORIES

At September 30, 2020 and December 31, 2019, inventories (in thousands) consisted of the following:

	September 30, 2020	December 31, 2019
Supplies	\$ 43,331	\$ 47,277
Raw materials and work in process	34,544	41,167
Finished goods	26,836	35,988
Total inventories	<u>\$ 104,711</u>	<u>\$ 124,432</u>

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the Organization of the Petroleum Exporting Countries and other oil producing nations ("OPEC+") agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these events, we recorded impairment charges of zero and \$6.7 million for the three and nine months ended September 30, 2020, respectively, primarily related to unused inventory at idled plants. These charges related to the Oil & Gas Proppants Segment and were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations.

**NOTE H—PROPERTY, PLANT AND MINE DEVELOPMENT**

At September 30, 2020 and December 31, 2019, property, plant and mine development (in thousands) consisted of the following:

	September 30, 2020	December 31, 2019
Mining property and mine development	\$ 788,710	\$ 794,899
Asset retirement cost	18,011	18,260
Land	55,281	57,082
Land improvements	75,878	73,203
Buildings	69,492	69,112
Machinery and equipment	1,179,002	1,152,898
Furniture and fixtures	4,071	4,068
Construction-in-progress	34,034	54,675
	<u>2,224,479</u>	<u>2,224,197</u>
Accumulated depreciation, depletion, amortization and impairment charges	(808,843)	(706,610)
Total property, plant and mine development, net	<u>\$ 1,415,636</u>	<u>\$ 1,517,587</u>

Depreciation, depletion, and amortization expense related to property, plant and mine development was \$37.3 million and \$44.0 million for the three months ended September 30, 2020 and 2019, respectively, and \$106.6 million and \$127.3 million for the nine months ended September 30, 2020 and 2019, respectively. The amount of interest costs capitalized in property, plant and mine development was \$33 thousand and \$1.9 million for the nine months ended September 30, 2020 and 2019, respectively.

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the OPEC+ agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these events, we recorded impairment charges of zero and \$11.6 million for the three and nine months ended September 30, 2020, respectively, related primarily to our Kosse, Texas facility, which has been idled. These impairment charges related to the Oil & Gas Proppants Segment and were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations.

On March 21, 2018, we completed the sale of three transload facilities located in the Permian, Eagle Ford, and Marcellus Basins to CIG Logistics ("CIG") for total consideration of \$86.1 million, including the assumption by CIG of \$2.2 million of Company obligations. Total cash consideration was \$83.9 million. The consideration includes receipt of a vendor incentive from CIG to enter into master transloading service arrangements. Of the total consideration, \$25.8 million was allocated to the fair value of the transload facilities, which had a net book value of \$20.0 million and resulted in a gain on sale of \$5.8 million. The consideration included a related asset retirement obligation of \$2.1 million and an equipment note of \$0.1 million assumed by CIG. In addition, \$60.3 million of the consideration received in excess of the facilities' fair value was allocated to vendor incentives to be recognized as a reduction of costs using a service-level methodology over the contract lives of the transloading service arrangements. At September 30, 2020, vendor incentives of \$9.6 million were classified in accounts payable and accrued expenses on our balance sheet.

During 2020, management approved the disposal of certain non-operating parcels of land. The assets, which have a combined carrying value of approximately \$2.2 million, have been classified as assets held for sale and are presented within Prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets. The proceeds of the disposals are expected to equal or exceed the net carrying value of the assets and, accordingly, no impairment loss has been recognized on these assets held for sale. The assets were previously classified as Land, therefore, no adjustments were needed for depreciation of these assets. We expect to dispose of these assets within one year of the balance sheet date.



## NOTE I—GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (in thousands) by business segment consisted of the following:

	Oil & Gas Proppants Segment	Industrial & Specialty Products Segment	Totals
<b>Balance at December, 2019</b>	\$ 86,100	\$ 187,424	\$ 273,524
Impairment loss	(86,100)	—	(86,100)
EPM acquisition adjustment <sup>(1)</sup>	—	(1,775)	(1,775)
<b>Balance at September 30, 2020</b>	\$ —	\$ 185,649	\$ 185,649

<sup>(1)</sup> During the first quarter of 2020, an adjustment was made in accordance with ASC 250 to correct an immaterial error to acquisition accounting. We reclassified \$1.8 million between goodwill and deferred tax liabilities. There was no impact to the Condensed Consolidated Statements of Operations.

Goodwill and trade names are evaluated for impairment annually as of October 31, or more frequently when indicators of impairment exist. We evaluated events and circumstances since the date of our last qualitative assessment, including macroeconomic conditions, industry and market conditions, and our overall financial performance.

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the OPEC+ agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these triggering events, we performed a quantitative analysis and determined that the goodwill of our Oil & Gas reporting unit was impaired. We recognized goodwill impairment charges of \$86.1 million during the first quarter of 2020, which were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations. We have performed qualitative analysis in subsequent periods and determined no further impairments were necessary.

The changes in the carrying amount of intangible assets (in thousands) consisted of the following:

	September 30, 2020				December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Impairments	Net	Gross Carrying Amount	Accumulated Amortization	Impairments	Net
Technology and intellectual property	\$ 72,801	\$ (19,278)	\$ —	\$ 53,523	\$ 86,183	\$ (17,080)	\$ —	\$ 69,103
Customer relationships	66,999	(21,980)	—	45,019	68,599	(18,737)	(1,240)	48,622
Total definite-lived intangible assets:	\$ 139,800	\$ (41,258)	\$ —	\$ 98,542	\$ 154,782	\$ (35,817)	\$ (1,240)	\$ 117,725
Trade names	65,390	—	—	65,390	65,390	—	—	65,390
Other	700	—	—	700	700	—	—	700
Total intangible assets:	\$ 205,890	\$ (41,258)	\$ —	\$ 164,632	\$ 220,872	\$ (35,817)	\$ (1,240)	\$ 183,815

Estimated useful life of technology and intellectual property is 15 years. Estimated useful life of customer relationships is a range of 13 - 15 years.

During the second quarter of 2020, we expensed \$11.8 million of capitalized legal fees related to the unsuccessful defense of a small number of our patents. These charges related to the Oil & Gas Proppants segment and were recorded in Selling, general and administrative expense in the Condensed Consolidated Statement of Operations.

Amortization expense was \$2.5 million and \$7.9 million for the three and nine months ended September 30, 2020, respectively. Amortization expense was \$2.7 million and \$8.1 million for the three and nine months ended September 30, 2019, respectively.

The estimated amortization expense related to definite-lived intangible assets (in thousands) for the five succeeding years is as follows:

2020 (remaining three months)	\$	2,718
2021		10,866
2022		10,851
2023		10,846
2024		10,848

## NOTE J—DEBT

At September 30, 2020 and December 31, 2019, debt (in thousands) consisted of the following:

	September 30, 2020	December 31, 2019
Senior secured credit facility:		
Revolver expiring May 1, 2023 (4.19% at September 30, 2020 and 7.75% at December 31, 2019)	\$ 25,000	\$ —
Term Loan—final maturity May 1, 2025 (5.00% at September 30, 2020 and 5.81% at December 31, 2019)	1,238,000	1,247,600
Less: Unamortized original issue discount	(4,634)	(5,412)
Less: Unamortized debt issuance cost	(21,535)	(25,390)
Note payable secured by royalty interest	10,813	10,438
Insurance financing notes payable	5,573	5,055
Equipment notes payable	—	87
Finance leases	—	70
Total debt	1,253,217	1,232,448
Less: current portion	(44,248)	(18,463)
Total long-term portion of debt	\$ 1,208,969	\$ 1,213,985

### Senior Secured Credit Facility

On May 1, 2018, we entered into a Third Amended and Restated Credit Agreement (the "Credit Agreement"), which increased our existing senior debt by entering into a new \$1.380 billion senior secured credit facility, consisting of a \$1.280 billion term loan (the "Term Loan") and a \$100 million revolving credit facility (the "Revolver") (collectively the "Credit Facility") that may also be used for swingline loans or letters of credit, and we may elect to increase the term loan in accordance with the terms of the Credit Agreement. Borrowings under the Credit Agreement will bear interest at variable rates as determined at our election, at LIBOR or a base rate, in each case, plus an applicable margin. In addition, under the Credit Agreement, we are required to pay a per annum facility fee and fees for letters of credit. The Credit Agreement is secured by substantially all of our assets and of our domestic subsidiaries' assets and a pledge of the equity interests in such entities. The Term Loan matures on May 1, 2025, and the Revolver expires May 1, 2023. We capitalized \$38.7 million in debt issuance costs and original issue discount as a result of the new Credit Agreement.

The Credit Facility contains covenants that, among other things, limit our ability, and certain of our subsidiaries' abilities, to create, incur or assume indebtedness and liens, to make acquisitions or investments, to sell assets and to pay dividends. The Credit Agreement also requires us to maintain a consolidated 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 30% of the Revolver commitment. These covenants are subject to a number of important exceptions and qualifications. The Credit Agreement includes events of default and other affirmative and negative covenants that are usual for facilities and transactions of this type. As of September 30, 2020 and December 31, 2019, we are in compliance with all covenants in accordance with our senior secured Credit Facility.

#### *Term Loan*

At September 30, 2020, contractual maturities of our Term Loan (in thousands) are as follows:

2020 (remaining three months)	\$	3,200
2021		12,800
2022		12,800
2023		12,800
2024		12,800
Thereafter		1,183,600
Total	\$	<u>1,238,000</u>

#### *Revolving Line-of-Credit*

We have a \$100.0 million Revolver with \$25.0 million drawn and \$25.4 million allocated for letters of credit as of September 30, 2020, leaving \$49.6 million available under the Revolver. We have the intent and ability to repay the amounts outstanding on the Revolver within one year, therefore, the outstanding balance as of September 30, 2020 has been classified as current.

Based on our consolidated leverage ratio of 5.85:1.00 as of September 30, 2020, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver.

#### *Note Payable Secured by Royalty Interest*

In conjunction with the acquisition of New Birmingham, Inc. in August 2016, we assumed a note payable secured by a royalty interest. The monthly royalty payment is calculated based on future tonnages and sales related to the sand shipped from our Tyler, Texas facility. The note payable is due by June 30, 2032. The note does not provide a stated interest rate. The minimum payments (in thousands) for the next five years and thereafter required by the note are as follows:

2020 (remaining three months)	\$	945
2021		367
2022		423
2023		487
2024		557
Thereafter		8,034
Total	\$	<u>10,813</u>

Under this agreement once a certain number of tons have been shipped from the Tyler facility, the minimum payments will decrease to \$0.5 million per year, subject to proration in the period this threshold is met.

The royalty note payable fair value was estimated to be \$22.5 million on the acquisition date. The estimate was made using a discounted cash flow model, which calculated the present value of projected future cash payments required under the agreement using a discounted rate of 14%, which is also the effective rate as of September 30, 2020. As of September 30, 2020, the note payable had a balance of \$10.8 million. Changes in fair value of the note payable amount may result if estimates of future tonnages and sales increase or decrease.

Subsequent to September 30, 2020, we executed an amendment to the note payable which settled the outstanding balance in its entirety in exchange for a one time payment of \$2.55 million. Future royalties may be owed under this amended agreement if we resume production at our Tyler facility, however, we have no such plans to resume production in the near term. Therefore, no amounts have been accrued.

***Insurance Financing Notes Payable***

During September 2020, the Company renewed its insurance policies and financed the payments through notes payable with a stated interest rate of 3.0%. These payments will be made in installments throughout a nine-month period and, as such, have been classified as current debt. As of September 30, 2020, the notes payable had a balance of \$5.6 million.

## NOTE K—ASSET RETIREMENT OBLIGATIONS

Mine reclamation 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 such 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 September 30, 2020 and 2019, we had a liability of \$26.0 million and \$20.6 million, respectively, in other long-term liabilities related to our asset retirement obligations. Changes in the asset retirement obligations (in thousands) during the nine months ended September 30, 2020 and 2019 are as follows:

	Nine Months Ended September 30,	
	2020	2019
Beginning balance	\$ 25,825	\$ 18,413
Accretion	1,098	1,138
Additions and revisions of estimates	(890)	1,061
Ending balance	<u>\$ 26,033</u>	<u>20,612</u>

## NOTE L—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 September 30, 2020 and December 31, 2019, approximate their reported carrying values.

### *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.

Changes in the fair value of the royalty note payable utilize Level 3 inputs, such as estimates of future tonnages sold and average sales price. See Note J - Debt for more information on the royalty note payable.

### *Derivative Instruments*

The estimated fair value of our derivative instruments is 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, 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. As of September 30, 2020, the fair values of our two interest rate swaps were both zero as our swap agreements matured on July 31, 2020. See Note M - Derivative Instruments for more information.

#### NOTE M—DERIVATIVE INSTRUMENTS

##### *Cash Flow Hedges of Interest Rate Risk*

We enter into interest rate swap agreements in connection with our Term Loan to add stability to interest expense and to manage our exposure to interest rate movements. The derivative instruments are recorded on the balance sheet within other assets or liabilities at their fair values. As of September 30, 2020, the fair values of our two interest rate swaps were both zero as our swap agreements matured on July 31, 2020. At December 31, 2019, the fair values of our two interest rate swaps were a liability of \$2.8 million and a liability of \$1.3 million and were classified within accounts payable and accrued liabilities on our balance sheets. We designated the interest rate swap agreements as qualified cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument was reported as a component of other comprehensive income and recognized in earnings in the same period or periods during which the hedged transaction affects earnings.

The following table summarizes the fair values of our derivative instruments (in thousands, except contract/notional amount). See Note L - Fair Value Accounting for more information regarding the estimated fair values of our derivative instruments at September 30, 2020 and December 31, 2019.

	September 30, 2020				December 31, 2019			
	Maturity Date	Contract/Notional Amount	Carrying Amount	Fair Value	Maturity Date	Contract/Notional Amount	Carrying Amount	Fair Value
LIBOR <sup>(1)</sup> interest rate swap agreement	2020	\$440 million	\$ —	\$ —	2020	\$440 million	\$ (2,768)	\$ (2,768)
LIBOR <sup>(1)</sup> interest rate swap agreement	2020	\$200 million	\$ —	\$ —	2020	\$200 million	\$ (1,259)	\$ (1,259)

<sup>(1)</sup> Agreements fix the LIBOR interest rate base to 2.74%.

During the nine months ended September 30, 2020, we had no ineffectiveness for the interest rate swap derivatives.

The following table summarizes the effect of derivative instruments (in thousands) on our income statements and our consolidated statements of comprehensive income for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	
	2020	2019
Deferred losses from derivatives in OCI, beginning of period	\$ (3,053)	\$ (1,621)
Gain (loss) recognized in OCI from derivative instruments	3,053	(2,520)
Deferred losses from derivatives in OCI, end of period	\$ —	\$ (4,141)

#### NOTE N—EQUITY-BASED COMPENSATION

In July 2011, we adopted the U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan (the “2011 Plan”), which was amended and restated in May 2015 and amended and restated effective February 1, 2020. The 2011 Plan provides for grants of stock options, restricted stock, performance share units and other incentive-based awards. We believe our 2011 Plan aligns the interests of our employees and directors with those of our common stockholders. At September 30, 2020, we have 3,787,156 shares of common stock that may be issued under the 2011 Plan. We use a combination of treasury stock and new shares if necessary to satisfy option exercises or vesting of restricted awards and performance share units.

## Stock Options

The following table summarizes the status of, and changes in, our stock option awards during the nine months ended September 30, 2020:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term in Years
Outstanding at December 31, 2019	826,658	\$ 28.97	\$ 11,557	4.1 years
Granted	—	\$ —	\$ —	
Exercised	—	\$ —	\$ —	
Forfeited	(443)	\$ 32.41	\$ —	
Expired	—	\$ —	\$ —	
Outstanding at September 30, 2020	826,215	\$ 29.05	\$ —	3.3 years
Exercisable at September 30, 2020	826,215	\$ 29.05	\$ —	3.3 years

There were no grants of stock options during the three and nine months ended September 30, 2020 and 2019.

There were zero stock options exercised during the three and nine months ended September 30, 2020, respectively. There were zero and 10,000 stock options exercised during the three and nine months ended September 30, 2019. The total intrinsic value of stock options exercised was \$12 thousand for the nine months ended September 30, 2019. Cash received from stock options exercised during the nine months ended September 30, 2019 was \$128 thousand. The tax benefit realized from stock option exercises was \$3 thousand for the nine months ended September 30, 2019.

As of September 30, 2020 and 2019, there was no unrecognized compensation expense related to these options. We account for forfeitures as they occur.

## Restricted Stock and Restricted Stock Unit Awards

The following table summarizes the status of, and changes in, our unvested restricted stock awards during the nine months ended September 30, 2020:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2019	1,020,248	\$ 15.86
Granted	1,541,473	\$ 4.13
Vested	(490,414)	\$ 16.61
Forfeited	(281,134)	\$ 10.54
Unvested, September 30, 2020	1,790,173	\$ 6.45

We granted 49,696 and 1,541,473 restricted stock and restricted stock unit awards during the three and nine months ended September 30, 2020, respectively. We granted 34,790 and 791,903 restricted stock and restricted stock unit awards during the three and nine months ended September 30, 2019, respectively. The fair value of the awards was based on the market price of our stock at date of grant.

We recognized \$2.7 million and \$6.6 million of equity-based compensation expense related to restricted stock awards during the three and nine months ended September 30, 2020, respectively. We recognized \$2.0 million and \$6.4 million of equity-based compensation expense related to restricted stock awards during the three and nine months ended September 30, 2019, respectively. As of September 30, 2020, there was \$8.0 million of unrecognized compensation expense related to these restricted stock awards, which is expected to be recognized over a weighted-average period of 1.7 years.

We also granted zero and 335,039 awards, which included 58,246 forfeited and partially vested awards, during the three and nine months ended September 30, 2020, respectively. These awards will vest over a period of three years and will be settled in cash. As such, these awards have been classified as liability instruments. We recognized \$0.1 million and \$0.2 million of expense related to these awards for the three and nine months ended September 30, 2020, respectively. The liability for these awards is included in accounts payable and other accrued expenses on our balance sheets. These awards will be remeasured at fair value each reporting period with resulting changes reflected in our income statements. Estimated unrecognized expense related to these awards is \$0.7 million over a period of 2.4 years.

## Performance Share Unit Awards

The following table summarizes the status of, and changes in, our performance share unit awards during the nine months ended September 30, 2020:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2019	838,722	\$ 18.00
Granted	1,020,161	\$ 9.94
Vested	—	\$ —
Forfeited/Cancelled	(341,221)	\$ 25.88
Unvested, September 30, 2020	1,517,662	\$ 14.28

We granted zero and 1,020,161 performance share units during the three and nine months ended September 30, 2020, respectively. We granted zero and 607,130 performance share units during the three and nine months ended September 30, 2019, respectively. The grant date fair value for these awards was estimated using a Monte Carlo simulation model. The Monte Carlo simulation model requires the use of highly subjective assumptions. Our key assumptions in the model included the price and the expected volatility of our common stock and our self-determined peer group companies' stock, risk-free rate of interest, dividend yields and cross-correlations between our common stock and our self-determined peer group companies' stock.

We recognized \$2.7 million and \$5.7 million of compensation expense related to performance share unit awards during the three and nine months ended September 30, 2020, respectively. We recognized \$1.8 million and \$4.3 million of compensation expense related to performance share unit awards during the three and nine months ended September 30, 2019, respectively. As of September 30, 2020, there was \$10.8 million of unrecognized compensation expense related to these performance share unit awards, which is expected to be recognized over a weighted-average period of 1.9 years.

We also granted cash awards during the nine months ended September 30, 2020. These awards will vest over a period of three years and will be settled in cash. As such, these awards have been classified as liability instruments. We recognized \$0.7 million of expense related to these awards for the nine months ended September 30, 2020. The liability for these awards is included in accounts payable and other accrued expenses on our balance sheets. These awards will be remeasured at fair value each reporting period with resulting changes reflected in our income statements. Estimated unrecognized expense related to these awards is \$1.5 million over a period of 2.4 years.

## NOTE O—COMMITMENTS AND CONTINGENCIES

### *Future Minimum Annual Commitments at September 30, 2020 (in thousands):*

	Minimum Purchase Commitments
2020 (remaining three months)	\$ 1,864
2021	13,542
2022	10,328
2023	10,328
2024	7,020
Thereafter	10,147
Total future purchase commitments	\$ 53,229

### *Minimum Purchase Commitments*

We enter into service agreements with our transload 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.



### ***Contingent Liability on Royalty Agreement***

On May 17, 2017, we purchased reserves in Crane County, Texas, for \$94.4 million cash consideration plus contingent consideration. The contingent consideration is a royalty that is based on the tonnage shipped to third-parties. Because the contingent consideration is dependent on future tonnage sold, the amounts of which are uncertain, it is not currently possible to estimate the fair value of these future payments. The contingent consideration will be capitalized at the time a payment is probable and reasonably estimable, and the related depletion expense will be adjusted prospectively.

### ***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 nine months ended September 30, 2020, zero new claims were brought against U.S. Silica. As of September 30, 2020, there were 54 active silica-related product 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 liabilities 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 September 30, 2020 and December 31, 2019, other non-current assets included zero for insurance for third-party product liability claims. As of September 30, 2020 and December 31, 2019 other long-term liabilities included \$1.0 million and \$0.9 million, respectively, for third-party product liability claims.

One of our subsidiaries has also been named as a defendant in lawsuits regarding certain labor practices. If we are unsuccessful in defending the litigation, these cases could result in a material liability for us.

### ***Obligations under Guarantees***

We have indemnified our insurers against any loss they may incur in the event that holders of surety bonds, issued on our behalf, execute the bonds. As of September 30, 2020, there was \$35.1 million in bonds outstanding, of which \$31.1 million relate to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to licenses, permits, and tax collection.

### **NOTE P—PENSION AND POST-RETIREMENT BENEFITS**

We maintain single-employer noncontributory defined benefit pension plans covering certain employees. There have been no new entrants to the U.S. Silica Company plan since May 2009 and to the EP Management Corporation plan since January 2007 for salaried participants and January 2010 for hourly participants when the plans were frozen to all new employees. The plans provide benefits based on each covered employee’s years of qualifying service. Our funding policy is to contribute amounts within the range of the minimum required and maximum deductible contributions for the plans consistent with a goal of appropriate minimization of the unfunded projected benefit obligations. The pension plans use a benefit level per year of service for covered hourly employees and a final average pay method for covered salaried employees. The plans use the projected unit credit cost method to determine the actuarial valuation.

In addition, we provide defined benefit post-retirement health care and life insurance benefits to some employees. Covered employees become eligible for these benefits at retirement after meeting minimum age and service requirements. The projected future cost of providing post-retirement benefits, such as healthcare and life insurance, is recognized as an expense as employees render services. In general, retiree health benefits are paid as covered expenses are incurred.

Net pension benefit cost (in thousands) consisted of the following for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Service cost	\$ 199	\$ 323	\$ 1,515	\$ 1,065
Interest cost	356	1,503	2,349	4,813
Expected return on plan assets	(531)	(1,727)	(3,394)	(5,745)
Net amortization and deferral	276	459	2,078	1,305
Net pension benefit costs	\$ 300	\$ 558	\$ 2,548	\$ 1,438

Net post-retirement benefit cost (in thousands) consisted of the following for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Service cost	\$ 28	\$ 20	\$ 65	\$ 67
Interest cost	235	182	426	572
Unrecognized net (gain)/loss	—	(7)	—	(7)
Net post-retirement benefit costs	\$ 263	\$ 195	\$ 491	\$ 632

We contributed \$2.2 million and \$4.2 million to the qualified pension plans for the three and nine months ended September 30, 2020, respectively. We contributed \$2.1 million and \$3.8 million to the qualified pension plans for the three and nine months ended September 30, 2019, respectively. Our best estimates of expected contributions to the pension and post-retirement medical benefit plans for the 2020 fiscal year are \$5.1 million and \$1.4 million, respectively.

We contribute to three multiemployer defined benefit pension plans under the terms of collective-bargaining agreements for union-represented employees. A multiemployer plan is subject to collective bargaining for employees of two or more unrelated companies. These plans allow multiple employers to pool their pension resources and realize efficiencies associated with the daily administration of the plan. Multiemployer plans are generally governed by a board of trustees composed of management and labor representatives and are funded through employer contributions. However, in most cases, management is not directly represented. Our contributions to individual multiemployer pension funds did not exceed 5% of the fund's total contributions for the three and nine months ended September 30, 2020 and 2019. Additionally, our contributions to multiemployer post-retirement benefit plans were immaterial for all periods presented in the accompanying condensed consolidated financial statements.

We also sponsor a defined contribution plan covering certain employees. We contribute to the plan in two ways. For certain employees not covered by the defined benefit plan, we make a contribution equal to 4% of their salary. For all other eligible employees, we make a contribution up to 6% of eligible earnings. Contributions were \$0.6 million and \$2.8 million for the three and nine months ended September 30, 2020, respectively. Contributions were \$1.5 million and \$4.8 million for the three and nine months ended September 30, 2019, respectively.

#### NOTE Q—LEASES

We lease railroad cars, office space, mining property, mining/processing equipment and transportation and other equipment. The majority of our leases have remaining lease terms of one year to 20 years. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We have lease agreements with lease and non-lease components, the latter of which are generally accounted for separately.

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

Leases	Classification	September 30, 2020	December 31, 2019
<b>Assets</b>			
Operating	Operating lease right-of-use assets	\$ 41,265	\$ 53,098
<b>Total leased right-of-use assets</b>		\$ 41,265	\$ 53,098
<b>Liabilities</b>			
<b>Current</b>			
Operating	Current portion of operating lease liabilities	\$ 30,887	\$ 53,587
<b>Non-current</b>			
Operating	Operating lease liabilities	76,827	117,964
<b>Total lease liabilities</b>		\$ 107,714	\$ 171,551
<b>Lease Term and Discount Rate</b>			
Weighted average remaining lease term:			
Operating leases		5.2 years	4.5 years
Weighted average discount rate:			
Operating leases		5.7%	5.7%

During 2020, there was an unprecedented drop in global demand combined with the breakdown of the Organization of the Petroleum Exporting Countries and other oil producing nations ("OPEC+") agreement to restrict oil production that led to one of the largest annual crude oil inventory builds in history. This led to sharp reductions in global crude oil prices. Containment measures and other economic, travel, and business disruptions caused by COVID-19 also affected refinery activity and future demand for crude oil, and consequently, the services and products of our Oil & Gas Proppants Segment. As a result of these events, we recorded impairment charges of \$0.2 million and \$3.4 million for the three and nine months ended September 30,

2020, respectively, primarily related to railcar leases, various equipment leases and an office building lease. These charges related to the Oil & Gas Proppants Segment and were recorded in "Goodwill and other asset impairments" in the Condensed Consolidated Statements of Operations.

During the second and third quarters of 2020, we received lease concessions from certain lessors. Based on accounting elections provided by the FASB and in accordance with ASC 842-10, we have not accounted for these concessions as lease modifications. Based on remeasurement of the amended leases, for the three and nine months ended September 30, 2020, we recorded a decrease to the ROU asset of \$0.4 million and \$0.9 million, respectively, and a decrease to the liability of \$20.9 million and \$25.0 million, respectively. A gain of \$20.5 million and \$24.4 million was recognized as operating income through cost of goods sold in our income statements for the three and nine months ended September 30, 2020, respectively.

The components of lease expense (in thousands) were as follows:

Lease Costs	Classification	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating lease costs <sup>(1)</sup>	Cost of sales	\$ 5,711	\$ 21,787	\$ 21,417	\$ 69,547
Operating lease costs <sup>(2)</sup>	Selling, general and administrative	415	1,044	1,420	3,281
Total		\$ 6,126	\$ 22,831	\$ 22,837	\$ 72,828

(1) Included short-term operating lease costs of \$0.3 million and \$7.5 million for the three and nine months ended September 30, 2020, respectively. Included short-term operating lease costs of \$4.0 million and \$15.1 million for the three and nine months ended September 30, 2019, respectively.

(2) Included short-term operating lease costs of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2020, respectively. Included short-term operating lease costs of \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2019, respectively.

Supplemental cash flow information (in thousands) related to leases was as follows:

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows for operating leases	\$ 51,859	\$ 57,523
<b>Right-of-use assets obtained in exchange for new lease liabilities:</b>		
Operating leases	\$ 10,650	\$ 229,557

Maturities of lease liabilities (in thousands) as of September 30, 2020:

	Operating leases
2020 (remaining three months)	\$ 10,757
2021	32,226
2022	18,572
2023	15,676
2024	12,716
Thereafter	46,823
Total lease payments	\$ 136,770
Less: Interest	29,056
Total	\$ 107,714

## NOTE R— 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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES" Act) was enacted and signed into law in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning after 2017 and before 2021. In addition, the CARES Act allows NOLs generated after 2017 and before 2021 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. As a result, we have carried the NOL generated in 2019 back to offset the taxable income in the 2014 tax year generating a refund of \$36.6 million. This refund was received at the end of the second quarter. We have also amended our 2018 tax return to generate an NOL by electing bonus depreciation. We then carried the NOL generated in 2018 back to offset the taxable income in prior years generating a refund of \$26.3 million. This refund has been reclassified from deferred tax asset to accounts receivable in our balance sheets as of September 30, 2020. The deferred tax assets related to the NOLs generated in 2018 and 2019 were recorded at the statutory income tax rate for 2018 and 2019, which was 21% for both years. As a result of the carry back of these NOLs to prior years, the NOLs will be utilized at the statutory income tax rate for pre-2018, which was 35%. This increase in the tax rate at which the 2018 and 2019 NOLs will be utilized results in a deferred tax benefit. Accordingly, during the nine months ended September 30, 2020, we recorded a deferred tax benefit of \$22.3 million. Pursuant to ASC 740, this has been recorded as a discrete component of the tax benefit.

The CARES Act also accelerates the ability of companies to receive refunds of alternative minimum tax ("AMT") credits related to tax years beginning in 2018 and 2019. AMT credits have been presented as a receivable or a deferred tax asset in the prior period balance sheets. The presentation of refundable AMT credits in the current balance sheet has been reclassified from deferred tax asset to accounts receivable to reflect the timing of when the credits are expected to be monetized. AMT credits in the amount of \$16.0 million are included in accounts receivable on our balance sheets as of September 30, 2020.

Additionally, the CARES Act provides temporary relief for payment of certain payroll taxes. Prior to the CARES Act, payroll taxes generally would have been deductible for income tax purposes in the same period that they were expensed for book purposes under the "recurring item exception" of the Internal Revenue Code. However, if a company defers payment of



its payroll taxes as a result of the CARES Act such that the recurring item exception no longer applies, accrued payroll taxes would not be deductible until the tax year in which they are actually paid. If the book expense and tax deduction are expected to occur in different periods, a deferred tax asset would need to be recorded for the deductible temporary difference related to the payroll tax accrual. The temporary relief for payment of certain payroll taxes did not have a material impact to the third quarter of 2020.

We are currently still evaluating all provisions of the CARES Act and its impact on income tax and in our Consolidated Statements of Operations.

For the three and nine months ended September 30, 2020, we had tax benefits of \$4.1 million and \$63.8 million, respectively. For the three and nine months ended September 30, 2019, we had tax benefits of \$7.7 million and \$7.3 million, respectively. The effective tax rate was 22% and 35% for the three and nine months ended September 30, 2020, respectively. The effective tax rate was 25% and 17% for the three and nine months ended September 30, 2019, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and tax benefits related to the carryback of NOLs described above, the effective tax rate for the three and nine months ended September 30, 2020 would have been 26% and 24%, respectively. Without discrete items, the effective tax rate for the three and nine months ended September 30, 2019 would have been 27% and 29%, respectively.

During the three and nine months ended September 30, 2020, we recorded tax expense related to equity compensation of \$0.3 million and \$1.7 million, respectively. During the three and nine months ended September 30, 2019, we recorded tax expense related to equity compensation of \$0.1 million and \$4.5 million, respectively.

#### NOTE 5— REVENUE

We consider sales disaggregated at the product and service level by business segment to depict how the nature, amount, timing and uncertainty of revenues and cash flow are impacted by changes in economic factors. The following table disaggregates our sales by major source for the three and nine months ended September 30, 2020 and 2019 (in thousands):

Category	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 49,508	\$ 110,129	\$ 159,637	\$ 168,870	\$ 119,107	\$ 287,977
Service	16,835	—	16,835	73,837	—	73,837
Total Sales	\$ 66,343	\$ 110,129	\$ 176,472	\$ 242,707	\$ 119,107	\$ 361,814

  

Category	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales	Oil & Gas Proppants	Industrial & Specialty Products	Total Sales
Product	\$ 217,943	\$ 324,055	\$ 541,998	\$ 528,708	\$ 359,170	\$ 887,878
Service	76,610	—	76,610	247,540	—	247,540
Total Sales	\$ 294,553	\$ 324,055	\$ 618,608	\$ 776,248	\$ 359,170	\$ 1,135,418

The following tables reflect the changes in our contract assets, which we classify as unbilled receivables and our contract liabilities, which we classify as deferred revenues, for the nine months ended September 30, 2020 and 2019 (in thousands):

	Unbilled Receivables	
	September 30, 2020	September 30, 2019
Beginning Balance	\$ 144	\$ 90
Reclassifications to billed receivables	(350)	(3,183)
Revenues recognized in excess of period billings	1,226	3,893
Ending Balance	\$ 1,020	\$ 800

	Deferred Revenue	
	September 30, 2020	September 30, 2019
Beginning Balance	\$ 50,634	\$ 113,319
Revenues recognized from balances held at the beginning of the period	(7,259)	(24,241)
Revenues deferred from period collections on unfulfilled performance obligations	4,782	12,225
Revenues recognized from period collections	(3,815)	(8,138)
Ending Balance	\$ 44,342	\$ 93,165

We have elected to use the practical expedients allowed under ASC 606-10-50-14, pursuant to which we have excluded disclosures of transaction prices allocated to remaining performance obligations and when we expect to recognize such revenue. The majority of our remaining performance obligations are primarily comprised of unfulfilled product, transportation service, and labor service orders, all of which hold a remaining duration of less than one year. The long-term portion of deferred revenue primarily represents a combination of refundable and nonrefundable customer prepayments for which related current performance obligations do not yet exist, but are expected to arise, before the expiration of the contract. Our residual unfulfilled performance obligations are comprised primarily of long-term equipment rental arrangements in which we recognize revenues equal to what we have a right to invoice. Generally, no variable consideration exists related to our remaining performance obligations and no consideration is excluded from the associated transaction prices. However, the decrease in the current year deferred revenue balance is partially attributable to revenue recognized as variable consideration from shortfall penalties assessed to multiple customers according to contract terms. During the three and nine months ending September 30, 2020, we have recognized revenue as variable consideration from shortfall penalties according to contract terms in the amounts of \$2.2 million and \$19.8 million, respectively, of which \$1.5 million and \$3.0 million, respectively, were included in deferred revenue. In some cases, amounts recorded are estimates which are in negotiation and may increase or decrease.

### Foreign Operations

The following table includes information related to our foreign operations for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Total Sales	\$ 22,084	\$ 26,081	\$ 65,948	\$ 73,589
Pre-tax income	\$ 3,220	\$ 3,491	\$ 11,299	\$ 10,309
Net income	\$ 2,544	\$ 2,758	\$ 8,927	\$ 8,144

Foreign operations constituted approximately \$32.8 million and \$28.4 million of consolidated assets as of September 30, 2020 and 2019, respectively.

## NOTE T— RELATED PARTY TRANSACTIONS

There were no related party transactions during the three and nine months ended September 30, 2020 or 2019.

## NOTE U— 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 primarily by providing and delivering 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 400 product types 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 selling, general, and administrative costs, corporate costs, plant capacity expansion expenses, and facility closure costs. We believe that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of our segments. However, segment contribution margin is a non-GAAP measure and should be considered in addition to, not a substitute for, or superior to, net income (loss) or other measures of financial performance prepared in accordance with GAAP. The other accounting policies of each of the two reportable segments are the same as those in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our 2019 Annual Report on Form 10-K.

The following table presents sales and segment contribution margin (in thousands) for the reportable segments and other operating results not allocated to the reportable segments for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Sales:</b>				
Oil & Gas Proppants	\$ 66,343	\$ 242,707	\$ 294,553	\$ 776,248
Industrial & Specialty Products	110,129	119,107	324,055	359,170
Total sales	176,472	361,814	618,608	1,135,418
<b>Segment contribution margin:</b>				
Oil & Gas Proppants	31,478	50,557	90,540	180,601
Industrial & Specialty Products	42,353	44,397	120,821	139,103
Total segment contribution margin	73,831	94,954	211,361	319,704
Operating activities excluded from segment cost of sales	(4,951)	(16,773)	(26,405)	(59,617)
Selling, general and administrative	(27,216)	(40,208)	(96,394)	(113,523)
Depreciation, depletion and amortization	(40,069)	(47,126)	(115,604)	(136,625)
Goodwill and other asset impairments	(222)	(130)	(108,044)	(130)
Interest expense	(19,274)	(24,733)	(63,730)	(72,476)
Other (expense) income, net, including interest income	(409)	3,280	15,592	19,076
Income tax benefit	4,094	7,671	63,785	7,259
Net loss	\$ (14,216)	\$ (23,065)	\$ (119,439)	\$ (36,332)
Less: Net loss attributable to non-controlling interest	(254)	(28)	(778)	(121)
Net loss attributable to U.S. Silica Holdings, Inc.	\$ (13,962)	\$ (23,037)	\$ (118,661)	\$ (36,211)

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. At September 30, 2020, goodwill of \$185.6 million has been allocated to these segments with zero assigned to Oil & Gas Proppants and \$185.6 million to Industrial & Specialty Products. At December 31, 2019, goodwill of \$273.5 million had been allocated to these segments with \$86.1 million assigned to Oil & Gas Proppants and \$187.4 million to Industrial & Specialty Products.

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

*The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited 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, 2019 (the "2019 Annual Report").*

*Adjusted EBITDA and segment contribution margin as used herein are non-GAAP measures. For a detailed description of Adjusted EBITDA and segment contribution margin and reconciliations to their most comparable GAAP measures, please see the discussion below under "How We Evaluate Our Business."*

### **Forward Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933, as amended. 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. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "could," "can have," "likely" and other words and terms of similar meaning.

For example, all statements we make relating to our estimated and projected costs; the impact of the COVID-19 pandemic on our future plans and results of operations; reserve and finished products estimates; demand for our products; the strategies of our customers; anticipated expenditures, cash flows, growth rates and financial results; our plans and objectives for future operations, growth or initiatives; strategies and their anticipated effect on our performance and liquidity; and 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 expect, including but not limited to: global economic conditions; fluctuations in demand for commercial silica, diatomaceous earth, perlite, clay and cellulose; fluctuations in demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing; changes in production spending by companies in the oil and gas industry and changes in the level of oil and natural gas exploration and development; general economic, political and business conditions in key regions of the world; effects of the COVID-19 pandemic on our customers and end users of our products; pricing pressure; weather and seasonal factors; the cyclical nature of our customers' business; our inability to meet our financial and performance targets and other forecasts or expectations; our substantial indebtedness and pension obligations, including restrictions on our operations imposed by our indebtedness; operational modifications, delays or cancellations; prices for electricity, natural gas and diesel fuel; our ability to maintain our transportation network; changes in government regulations and regulatory requirements, including those related to mining, explosives, chemicals, and oil and gas production; silica-related health issues and corresponding litigation; and other risks and uncertainties detailed in this Quarterly Report on Form 10-Q and our most recent Forms 10-K, 10-Q, and 8-K filed with or furnished to the U.S. Securities and Exchange Commission ("SEC").

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 the known factors described above, and it is impossible for us to anticipate all factors that could affect our actual results. As a result, forward-looking statements are not guarantees of future performance, and you should not place undue reliance on any forward-looking statements we make. If one or more of the risks described above or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. The forward-looking statements



included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We disclaim any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise. 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, and our other public communications.

## Overview

We are a performance materials company and one of the largest domestic producers of commercial silica used in the oil and gas industry and in a wide range of industrial applications. In addition, through our acquisition of EP Minerals, LLC ("EPM") and its affiliated companies in 2018, we are an industry leader in the production of industrial minerals, including diatomaceous earth, clay (calcium bentonite and calcium montmorillonite) and perlite.

During our 120-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 400 diversified product types to customers across our end markets. As of September 30, 2020, we operated 23 production facilities across the United States. We control 485 million tons of reserves of commercial silica, which we believe can be processed to make 177 million tons of finished products that meet API frac sand specifications, and 79 million tons of reserves of diatomaceous earth, perlite, and clays.

Our operations are organized into two reportable segments based on end markets served and the manner in which we analyze our operating and financial performance: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. We believe our segments are complementary because our ability to sell to a wide range of customers across end markets in these segments allows us to maximize recovery rates in our mining operations and optimize our asset utilization.

### *Acquisitions*

For a description of our key business acquisitions during the periods presented, see Note E - Business Combinations to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

## Recent Trends and Outlook

### *Oil and gas proppants end market trends*

The COVID-19 pandemic and related economic repercussions coupled with an inadequate supply response and exacerbated by the lack of global storage capacity, has resulted in a precipitous decline in crude oil prices. While the Organization of the Petroleum Exporting Countries and other oil producing nations ("OPEC+") agreed in April to cut production, downward pressure on commodity prices has remained and could continue for the foreseeable future. These events have negatively affected and are expected to continue to negatively affect our Oil & Gas Proppants segment. Demand for our proppant and logistics services has declined as our customers reduce their capital budgets and drilling operations in response to lower oil prices.

In response to the effects of the pandemic on our Oil & Gas Proppants Segment, we have taken a number of steps to reduce our costs of operations. We have dramatically reduced all discretionary spending, reduced officer salaries, lowered headcount, and closed or idled facilities as appropriate.

The extent to which our business will continue to be affected by the COVID-19 pandemic will depend on various factors and consequences beyond our control, such as the duration and scope of the pandemic, additional actions by businesses and governments in response to the pandemic, the speed and effectiveness of responses to combat the virus, the extent of the resurgence in cases, and the effects of low oil prices on the global economy generally. These effects could also aggravate the risk factors identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Sales and average selling price per ton in our Oil & Gas Proppants Segment decreased sequentially during the three months ended September 30, 2020, compared to the three months ended June 30, 2020. The decreases were due to reduction in overall demand due to the economic conditions discussed above as well as a decrease in shortfall revenue recognized sequentially. The sequential increase in tons sold is attributable to a slight increase in activity in West Texas. Our results for the three-month period ended September 30, 2020 in this segment are not necessarily indicative of the results that may be expected for the full year ending December 31, 2020.

Amounts in thousands, except per ton data

	Three Months Ended			Percentage Change	
	September 30, 2020	June 30, 2020	March 31, 2020	September 30, 2020 vs. June 30, 2020	June 30, 2020 vs. March 31, 2020
<b>Oil &amp; Gas Proppants</b>					
Sales	\$ 66,343	\$ 72,495	\$ 155,715	(8)%	(53)%
Tons Sold	1,282	1,112	3,202	15 %	(65)%
Average Selling Price per Ton	\$ 51.75	\$ 65.19	\$ 48.63	(21)%	34 %

If oil and gas drilling and completion activity does not grow or if frac sand supply remains greater than demand, then we may sell fewer tons, sell 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, and we could incur material asset impairments. If these events occur, we may evaluate further actions to reduce cost and improve liquidity.

#### *Industrial and specialty products end market trends*

Demand in the industrial and specialty products end markets has been relatively stable in recent years and is primarily influenced by key macroeconomic drivers such as housing starts, population growth, light vehicle sales, beer and wine production, repair and remodel activity and industrial production. The primary end markets served by our Industrial & Specialty Products segment are building and construction products, fillers and extenders, filtration, glassmaking, absorbents, foundry, and sports and recreation. We have been increasing our value-added product offerings in the industrial and specialty products end markets organically as well as through acquisitions, such as White Armor and EPM. Sales of these new higher margin products have increased our Industrial & Specialty Products segment's profitability in recent periods.

The COVID-19 pandemic has caused, and will likely continue to cause, severe economic, market and other disruptions worldwide, which began to affect our Industrial & Specialty Products segment in the second quarter of 2020. In addition, after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts in this segment as a result of any long-term economic recession or depression that may continue in the future.

### **Our Business Strategy**

The key drivers of our growth strategy include:

- increasing our presence and product offering in specialty products end markets;
- optimizing our product mix and further developing value-added capabilities to maximize margins;
- effectively positioning our Oil & Gas Proppants facilities to optimally serve our customers;
- optimizing our supply chain network and leveraging our logistics capabilities to meet our customers' needs;
- evaluating both Greenfield and Brownfield expansion opportunities and other acquisitions; and
- maintaining financial strength and flexibility.

### **How We Generate Our Sales**

#### *Products*

We derive our product sales by mining and processing minerals that our customers purchase for various uses. Our product sales are primarily a function of the price per ton and the number of tons sold. We primarily sell our products through individual purchase orders executed under short-term price agreements or at prevailing market rates. The amount invoiced reflects the price of the product, transportation, surcharges, and additional handling services as applicable, such as storage, transloading the product from railcars to trucks and last mile logistics to the customer site. We invoice most of our product customers on a per shipment basis, although for some larger customers we consolidate invoices weekly or monthly. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

#### *Services*

We derive our service sales primarily through the provision of transportation, equipment rental, and contract labor services to companies in the oil and gas industry. Transportation services typically consist of transporting customer proppant from storage facilities to proximal well-sites and are contracted through work orders executed under established pricing agreements. The amount invoiced reflects transportation services rendered. Equipment rental services provide customers with

use of either dedicated or nonspecific wellhead proppant delivery equipment solutions for contractual periods defined either through formal lease agreements or executed work orders under established pricing agreements. The amounts invoiced reflect the length of time the equipment set was utilized in the billing period. Contract labor services provide customers with proppant delivery equipment operators through work orders executed under established pricing agreements. The amounts invoiced reflect the amount of time our labor services were utilized in the billing period. We typically invoice our customers on a weekly or monthly basis; however, some customers receive invoices upon well-site operation completion. Standard collection terms are net 30 days, although extended terms are offered in competitive situations.

Our ten largest customers accounted for 23% and 32% of total sales for the three and nine months ended September 30, 2020, respectively, and 43% and 42% for the three and nine months ended September 30, 2019, respectively. No customers accounted for 10% or more of our total sales for the three or nine months ended September 30, 2020. Sales to one of our customers accounted for 11% and 12% for the three and nine months ended September 30, 2019, respectively. No other customers accounted for 10% or more of our total sales during the same period. At September 30, 2020, one of our customer's accounts receivable represented 15% of our total trade accounts receivable. At December 31, 2019, the same customer's accounts receivable represented 12% of our total trade accounts receivable. No other customers accounted for 10% or more of our total trade accounts receivable during the same period.

For a limited number of customers, we sell under long-term, minimum purchase supply agreements. 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 certain contractual adjustments. Sometimes these agreements may undergo negotiations regarding pricing and volume requirements, particularly in volatile market conditions. When these negotiations occur, we may deliver sand at prices or at volumes below the requirements in our existing supply agreements. An executed order specifying the type and quantity of product to be delivered, in combination with the noted agreements, comprise our contracts in these arrangements. Selling more tons under supply contracts 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 2019 Annual Report, these customers may not continue to purchase the same levels of product in the future due to a variety of reasons, contract requirements notwithstanding.

As of September 30, 2020, we had eleven minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2021 and 2034. As of September 30, 2019, we had twenty-two minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2019 and 2034. Collectively, sales to customers with minimum purchase supply agreements accounted for 34% and 57% of Oil & Gas Proppants segment sales during the three and nine months ended September 30, 2020, respectively, and 61% for both the three and nine months ended September 30, 2019.

In the industrial and specialty products end markets we have not historically entered into long-term minimum purchase supply agreements with our customers because of the high cost to our customers of switching providers. We may periodically do so when capital or other investment is required to meet customer needs. Instead, we often enter into supply agreements with our customers with targeted volumes and terms of one to five years. Prices under these agreements are generally fixed and subject to annual increases.

### **The Costs of Conducting Our Business**

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

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

### **How We Evaluate Our Business**

Our management team evaluates our business using a variety of financial and operating metrics. We evaluate the performance of our two segments based on their tons sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of our business as a whole, including total tons sold, average

selling price, total segment contribution margin, and Adjusted EBITDA. We view these metrics as important factors in evaluating our profitability and review these measurements frequently to analyze trends and make decisions, and we believe the presentation of these metrics provides useful information to our investors regarding our financial condition and results of operations for the same reasons.

#### *Segment Contribution Margin*

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

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered an alternative or superior to measures derived in accordance with GAAP. Our measure of segment contribution margin is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. For more information about segment contribution margin, including a reconciliation of this measure to its most directly comparable GAAP financial measure, net income (loss), see Note U - Segment Reporting to our Consolidated 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. Adjusted EBITDA excludes certain income and/or costs, the removal of which improves comparability of operating results across reporting periods. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA.

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

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

(amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss attributable to U.S. Silica Holdings, Inc.	\$ (13,962)	\$ (23,037)	\$ (118,661)	\$ (36,211)
Total interest expense, net of interest income	19,801	23,711	63,290	69,683
Provision for taxes	(4,094)	(7,671)	(63,785)	(7,259)
Total depreciation, depletion and amortization expenses	40,069	47,126	115,604	136,625
EBITDA	41,814	40,129	(3,552)	162,838
Non-cash incentive compensation <sup>(1)</sup>	5,523	3,722	12,758	10,566
Post-employment expenses (excluding service costs) <sup>(2)</sup>	161	426	1,301	1,301
Merger and acquisition related expenses <sup>(3)</sup>	285	4,873	1,280	15,747
Plant capacity expansion expenses <sup>(4)</sup>	744	3,918	5,324	16,229
Contract termination expenses <sup>(5)</sup>	—	60	—	1,060
Goodwill and other asset impairments <sup>(6)</sup>	222	130	108,044	130
Business optimization projects <sup>(7)</sup>	24	49	39	55
Facility closure costs <sup>(8)</sup>	1,881	3,523	5,716	10,604
Gain on valuation change of royalty note payable <sup>(9)</sup>	—	(2,004)	—	(16,104)
Other adjustments allowable under the Credit Agreement <sup>(10)</sup>	675	3,583	9,431	10,323
Adjusted EBITDA	\$ 51,329	\$ 58,409	\$ 140,341	\$ 212,749

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- (1) Reflects equity-based and other equity-related compensation expense.
  - (2) Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period. Non-service net periodic benefit costs are not considered reflective of our operating performance because these costs do not exclusively originate from employee services during the applicable period and may experience periodic fluctuations as a result of changes in non-operating factors, including changes in discount rates, changes in expected returns on benefit plan assets, and other demographic actuarial assumptions. See Note P - Pension and Post-Retirement Benefits to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.
  - (3) Merger and acquisition related expenses include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items such as the amortization of inventory fair value step-up, information technology integration costs and similar charges. While these costs are not operational in nature and are not expected to continue for any singular transaction on an ongoing basis, similar types of costs, expenses and charges have occurred in prior periods and may recur in the future as we continue to integrate prior acquisitions and pursue any future acquisitions.
  - (4) Plant capacity expansion expenses include expenses that are not inventoriable or capitalizable as related to plant expansion projects greater than \$5 million in capital expenditures or plant start up projects. While these expenses are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future if we continue to pursue future plant capacity expansions.
  - (5) Reflects contract termination expenses related to strategically exiting a service contract. While these expenses are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses have occurred in prior periods and may recur in the future as we continue to strategically evaluate our contracts.
  - (6) The nine months ended September 30, 2020 reflect \$108.0 million of asset impairments related to goodwill, long-lived assets, operating lease right-of-use assets and inventory related to idled facilities in our Oil & Gas Proppants segment. See Note G - Inventories, Note H - Property, Plant and Mine Development, Note I - Goodwill and Intangible Assets, and Note Q - Leases to our Condensed Consolidated Financial Statements in Part I, Item 1 of our Quarterly Report on Form 10-Q for more information. The three and nine months ended September 30, 2019 reflect a \$0.1 million asset impairment related to rail cars that will not be utilized before the end of their leases.
  - (7) Reflects costs incurred related to business optimization projects within our corporate center, which aim to measure and improve the efficiency, productivity and performance of our organization. While these costs are not operational in nature and are not expected to continue for any singular project on an ongoing basis, similar types of expenses may recur in the future.
  - (8) Reflects costs incurred related to idled sand facilities and closed corporate offices, including severance costs and remaining contracted costs such as office lease costs, maintenance, and utilities. While these costs are not operational in nature and are not expected to continue for any singular event on an ongoing basis, similar types of expenses may recur in the future.
  - (9) Gain on valuation change of royalty note payable due to a change in estimate of future tonnages and sales related to the sand shipped from our Tyler, Texas facility. The gain is not operational in nature and is not expected to continue for any singular event on an ongoing basis.
  - (10) Reflects miscellaneous adjustments permitted under the Credit Agreement, such as recruiting fees and relocation costs. The nine months ended September 30, 2020 also included \$2.2 million in transload shortfalls and exit fees, \$4.4 million in inventory adjustments, \$5.7 million in severance costs, and \$11.8 million in legal expense due to unsuccessful defense of a small number of our patents, offset by \$15.2 million related to the gain attributable to the bargain purchase of Arrows Up. See Note E - Business Combinations to our Condensed Consolidated Financial Statements in Part I, Item 1 of our Quarterly Report on Form 10-Q for more information. The nine months ended September 30, 2019 also included \$6.2 million of loss contingencies reserve, partially offset by insurance proceeds of \$2.2 million.

#### *Adjusted EBITDA-Trailing Twelve Months*

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

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

As of September 30, 2020, we are in compliance with all covenants under our Credit Facility, and our Revolver usage was \$25.0 million (not including \$25.4 million allocated for letters of credit). Since the Revolver usage did not exceed 30% of the Revolver commitment, the consolidated leverage ratio covenant did not apply. Based on our consolidated leverage ratio of 5.85:1.00 as of September 30, 2020, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver. The calculation of the consolidated leverage ratio incorporates the Adjusted EBITDA-trailing twelve months as follows:

<i>(All amounts in thousands, except calculated ratio)</i>	<u>September 30, 2020</u>
Total debt	\$ 1,253,217
Finance leases	—
Total consolidated debt	<u>\$ 1,253,217</u>
Adjusted EBITDA-trailing twelve months	\$ 213,917
Pro forma Adjusted EBITDA including impact of acquisitions <sup>(1)</sup>	—
Other adjustments for covenant calculation <sup>(2)</sup>	253
Total Adjusted EBITDA-trailing twelve months for covenant calculation	<u>\$ 214,170</u>
Consolidated leverage ratio <sup>(3)</sup>	5.85

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- (1) Covenant calculation allows for the Adjusted EBITDA-trailing twelve months to include the impact of acquisitions on a pro forma basis.
- (2) Covenant calculation excludes activity at legal entities above the operating company, which is mainly interest income offset by public company operating expenses.
- (3) Calculated by dividing total consolidated debt by total Adjusted EBITDA-trailing twelve months for covenant calculation.

## Results of Operations for the Three Months Ended September 30, 2020 and 2019

### Sales

<i>(In thousands except per ton data)</i>	Three Months Ended September 30,		Percent Change
	2020	2019	'20 vs.'19
<b>Sales:</b>			
Oil & Gas Proppants	\$ 66,343	\$ 242,707	(73)%
Industrial & Specialty Products	110,129	119,107	(8)%
Total sales	\$ 176,472	\$ 361,814	(51)%
<b>Tons:</b>			
Oil & Gas Proppants	1,282	3,896	(67)%
Industrial & Specialty Products	957	954	— %
Total Tons	2,239	4,850	(54)%
<b>Average Selling Price per Ton:</b>			
Oil & Gas Proppants	\$ 51.75	\$ 62.30	(17)%
Industrial & Specialty Products	\$ 115.08	\$ 124.85	(8)%
Overall Average Selling Price per Ton	\$ 78.82	\$ 74.60	6 %

Total sales decreased 51% for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, driven by a 54% decrease in total tons sold, partially offset by a 6% increase in overall average selling price.

The decrease in total sales was mainly driven by Oil & Gas Proppants sales, which decreased 73% for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Oil & Gas Proppants average selling price decreased 17% and tons sold decreased 67%. These decreases are a result of the shift to in-basin sand, overall decrease in demand due to current economic conditions related to the COVID-19 pandemic, as well as overall supply being greater than demand.

The decrease in total sales was also partially driven by Industrial & Specialty Products sales, which decreased 8% for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. Industrial & Specialty Products tons sold remained relatively consistent and average selling price decreased by 8%. The decrease was primarily due to current economic conditions related to the COVID-19 pandemic.

### *Cost of Sales (excluding depreciation, depletion, and amortization)*

Cost of sales decreased by \$176.0 million, or 62%, to \$107.6 million for the three months ended September 30, 2020 compared to \$283.6 million for the three months ended September 30, 2019. These changes result from the main components of cost of sales as discussed below. As a percentage of sales, cost of sales represented 61% for the three months ended September 30, 2020 compared to 78% for the same period in 2019.

We incurred \$35.5 million and \$131.5 million of transportation and related costs for the three months ended September 30, 2020 and 2019, respectively. The \$96.0 million decrease was mainly due to an overall decrease in demand in the Oil & Gas Proppants segment, more tons sold from local in-basin plants which have lower logistics costs, carrier rate reductions in our SandBox operations, as well as decreased rail car expense resulting from lease concessions in the amount of \$20.5 million. See Note Q - Leases for more information on the lease concessions. As a percentage of sales, transportation and related costs represented 20% for the three months ended September 30, 2020 compared to 36% for the same period in 2019.

We incurred \$26.0 million and \$50.5 million of operating labor costs for the three months ended September 30, 2020 and 2019, respectively. The \$24.5 million decrease in labor cost was mainly due to idled facilities. As a percentage of sales,



operating labor costs represented 15% for the three months ended September 30, 2020 compared to 14% for the same period in 2019.

We incurred \$7.9 million and \$13.4 million of electricity and drying fuel (principally natural gas) costs for the three months ended September 30, 2020 and 2019, respectively. The \$5.5 million decrease in electricity and drying fuel costs was mainly due to idled sand facilities. As a percentage of sales, electricity and drying fuel costs represented 4% for both the three months ended September 30, 2020 and 2019.

We incurred \$11.0 million and \$26.4 million of maintenance and repair costs for the three months ended September 30, 2020 and 2019, respectively. The \$15.4 million decrease in maintenance and repair costs was due to idled sand facilities, reduced costs at our SandBox operations due to lower volumes, and a decrease in plant capacity expansion expenses. As a percentage of sales, maintenance and repair costs represented 6% and 7% for the three months ended September 30, 2020 and 2019, respectively.

#### *Segment Contribution Margin*

Industrial & Specialty Products contribution margin decreased by \$2.0 million to \$42.4 million for the three months ended September 30, 2020 compared to \$44.4 million for the three months ended September 30, 2019, driven by a \$9.0 million decrease in revenue and partially offset by \$6.9 million decrease in cost of sales.

Oil & Gas Proppants contribution margin decreased by \$19.1 million to \$31.5 million for the three months ended September 30, 2020 compared to \$50.6 million for the three months ended September 30, 2019, driven by a \$176.4 million decrease in sales, partially offset by a \$157.3 million decrease in cost of sales. The decrease in segment contribution margin was mainly driven by decreased sand pricing as a result of a shift to in basin sand, and an overall decrease in demand.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$13.0 million, or 32%, to \$27.2 million for the three months ended September 30, 2020 compared to \$40.2 million for the three months ended September 30, 2019. The net decrease was primarily due to cost reduction measures implemented during the first nine months of 2020, including reducing all discretionary spending, reduced officer salaries, and lowered headcount.

In total, our selling, general and administrative expenses represented approximately 15% and 11% of our sales for the three months ended September 30, 2020 and 2019, respectively.

#### *Depreciation, Depletion and Amortization*

Depreciation, depletion and amortization expense decreased by \$7.0 million, or 15%, to \$40.1 million for the three months ended September 30, 2020 compared to \$47.1 million for the three months ended September 30, 2019. The decrease was mainly driven by decreased production, a decrease in total depreciable assets due to idled plants and subsequent asset impairments which occurred during the fourth quarter of 2019 and the first and second quarters of 2020, and reduced capital spending. Depreciation, depletion and amortization expense represented approximately 23% and 13% of our sales for the three months ended September 30, 2020 and 2019, respectively.

#### *Goodwill and Other Asset Impairments*

During the three months ended September 30, 2020, we recorded \$0.2 million of asset impairment charges for operating right-of-use assets related to the Oil & Gas Proppants segment.

#### *Operating Income (Loss)*

Operating income for the three months ended September 30, 2020 was \$1.4 million compared to an operating loss of \$9.3 million for the three months ended September 30, 2019. The change was mainly driven by a 32% decrease in selling, general and administrative expenses, a 15% decrease in depreciation, depletion and amortization expense, and a 62% decrease in cost of sales, partially offset by a 51% decrease in sales.

### Interest Expense

Interest expense decreased by \$5.4 million, or 22%, to \$19.3 million for the three months ended September 30, 2020 compared to \$24.7 million for the three months ended September 30, 2019, mainly due to a decrease in interest rates, partially offset by a decrease in interest costs capitalized for property, plant and mine development and interest expense on the outstanding balance of the Revolver.

### Other (Expense) Income, Net, Including Interest Income

Other (expense) income, net, decreased by \$3.7 million, to expense of \$0.4 million for the three months ended September 30, 2020 compared to income of \$3.3 million for the three months ended September 30, 2019, primarily driven by a decrease in interest income and the gain on valuation of the royalty note payable not recurring during 2020.

### Provision for Income Taxes

For the three months ended September 30, 2020, we had a tax benefit of \$4.1 million. For the three months ended September 30, 2019, we had tax benefit of \$7.7 million. The effective tax rates were 22% and 25% for the three months ended September 30, 2020 and 2019, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation, the effective tax rates for the three months ended September 30, 2020 and 2019 would have been 26% and 27%, respectively.

During the three months ended September 30, 2020 and 2019, we recorded tax expense related to equity compensation of \$0.3 million and \$0.1 million, respectively.

### Net (Loss) Income

Net (loss) income attributable to U.S. Silica Holdings, Inc., was net losses of \$14.0 million and \$23.0 million for the three months ended September 30, 2020 and 2019, respectively. The year over year changes were due to the factors noted above.

## Results of Operations for the Nine Months Ended September 30, 2020 and 2019

### Sales

<i>(In thousands except per ton data)</i>	Nine Months Ended September 30,		Percent Change '20 vs.'19
	2020	2019	
<b>Sales:</b>			
Oil & Gas Proppants	\$ 294,553	\$ 776,248	(62)%
Industrial & Specialty Products	324,055	359,170	(10)%
Total sales	<u>\$ 618,608</u>	<u>\$ 1,135,418</u>	(46)%
<b>Tons:</b>			
Oil & Gas Proppants	5,596	11,692	(52)%
Industrial & Specialty Products	2,708	2,892	(6)%
Total Tons	<u>8,304</u>	<u>14,584</u>	(43)%
<b>Average Selling Price per Ton:</b>			
Oil & Gas Proppants	\$ 52.64	\$ 66.39	(21)%
Industrial & Specialty Products	\$ 119.67	\$ 124.19	(4)%
Overall Average Selling Price per Ton	\$ 74.50	\$ 77.85	(4)%

Total sales decreased 46% for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, driven by a 4% decrease in overall average selling price and a 43% decrease in total tons sold.

The decrease in total sales was mainly driven by Oil & Gas Proppants sales, which decreased 62% for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Oil & Gas Proppants average selling price

decreased 21% and tons sold decreased 52%. The decrease in average selling price was mainly driven by more tons sold from local in-basin plants which have lower logistics costs and decreased sand pricing. These decreases are also a result of current environmental conditions related to the COVID-19 pandemic as well as overall supply being greater than demand.

The decrease in total sales was also driven by Industrial & Specialty Products sales, which decreased 10% for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Industrial & Specialty Products average selling price decreased 4% and tons sold decreased by 6%. The decrease was primarily due to less tons sold due to current economic conditions related to the COVID-19 pandemic.

*Cost of Sales (excluding depreciation, depletion, and amortization)*

Cost of sales decreased by \$441.6 million, or 50%, to \$433.7 million for the nine months ended September 30, 2020 compared to \$875.3 million for the nine months ended September 30, 2019. These changes result from the main components of cost of sales as discussed below. As a percentage of sales, cost of sales represented 70% for the nine months ended September 30, 2020 compared to 77% for the same period in 2019.

We incurred \$149.3 million and \$396.7 million of transportation and related costs for the nine months ended September 30, 2020 and 2019, respectively. The \$247.4 million decrease was mainly due to an overall decrease in demand in the Oil & Gas Proppants segment, more tons sold from local in-basin plants which have lower logistics costs, carrier rate reductions in our SandBox operations, as well as decreased rail car expense resulting from lease concessions in the amount of \$24.4 million. See Note Q - Leases for more information on the lease concessions. As a percentage of sales, transportation and related costs represented 24% for the nine months ended September 30, 2020 compared to 35% for the same period in 2019.

We incurred \$93.0 million and \$156.7 million of operating labor costs for the nine months ended September 30, 2020 and 2019, respectively. The \$63.7 million decrease in labor costs incurred was mainly due to idled facilities. As a percentage of sales, operating labor costs represented 15% for the nine months ended September 30, 2020 compared to 14% for the same period in 2019.

We incurred \$25.8 million and \$42.5 million of electricity and drying fuel (principally natural gas) costs for the nine months ended September 30, 2020 and 2019, respectively. The \$16.7 million decrease in electricity and drying fuel costs incurred was mainly due to idled sand facilities. As a percentage of sales, electricity and drying fuel costs represented 4% for both the nine months ended September 30, 2020 and 2019.

We incurred \$36.4 million and \$74.0 million of maintenance and repair costs for the nine months ended September 30, 2020 and 2019, respectively. The \$37.6 million decrease in maintenance and repair costs incurred was mainly due to idled sand facilities, reduced costs at our SandBox operations due to lower volumes, and a decrease in plant capacity expansion expenses. As a percentage of sales, maintenance and repair costs represented 6% and 7% for the nine months ended September 30, 2020 and 2019, respectively.

*Segment Contribution Margin*

Industrial & Specialty Products contribution margin decreased by \$18.3 million to \$120.8 million for the nine months ended September 30, 2020 compared to \$139.1 million for the nine months ended September 30, 2019, driven by a \$35.1 million decrease in revenue, partially offset by a \$16.8 million decrease in cost of sales. The decrease in segment contribution margin was due to less tons sold due to current economic conditions related to the COVID-19 pandemic.

Oil & Gas Proppants contribution margin decreased by \$90.1 million to \$90.5 million for the nine months ended September 30, 2020 compared to \$180.6 million for the nine months ended September 30, 2019, driven by a \$481.7 million decrease in sales, partially offset by a \$391.6 million decrease in cost of sales. The decrease in segment contribution margin was mainly driven by an overall decrease in demand and decreased sand pricing as a result of a shift to in basin sand, partially offset by \$19.8 million in shortfall revenue recognized.

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### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$17.1 million, or 15%, to \$96.4 million for the nine months ended September 30, 2020 compared to \$113.5 million for the nine months ended September 30, 2019. The net decrease was primarily due to cost reduction measures implemented during the first nine months of 2020, including reducing all discretionary spending, reduced officer salaries, and lowered headcount.

In total, our selling, general and administrative expenses represented approximately 16% and 10% of our sales for the nine months ended September 30, 2020 and 2019, respectively.

### *Depreciation, Depletion and Amortization*

Depreciation, depletion and amortization expense decreased by \$21.0 million, or 15%, to \$115.6 million for the nine months ended September 30, 2020 compared to \$136.6 million for the nine months ended September 30, 2019. The decrease was mainly driven by decreased production, a decrease in total depreciable assets due to idled plants and subsequent asset impairments which occurred during the fourth quarter of 2019 and the first and second quarters of 2020, and reduced capital spending. Depreciation, depletion and amortization expense represented approximately 19% and 12% of our sales for the nine months ended September 30, 2020 and 2019, respectively.

### *Goodwill and Other Asset Impairments*

During the nine months ended September 30, 2020, we recorded \$108.0 million of asset impairment charges for long-lived assets and inventories of idled plants, operating right-of-use assets, and goodwill related to the Oil & Gas Proppants segment.

### *Operating Income (Loss)*

Operating income (loss) decreased by \$144.9 million to operating loss of \$135.1 million for the nine months ended September 30, 2020 compared to operating income of \$9.8 million for the nine months ended September 30, 2019. The decrease was driven by a 46% decrease in sales, partially offset by a 15% decrease in depreciation, depletion and amortization expense, a 15% decrease in selling, general and administrative expenses and a 50% decrease in cost of sales during the nine months ended September 30, 2020.

### *Interest Expense*

Interest expense decreased by \$8.8 million, or 12%, to \$63.7 million for the nine months ended September 30, 2020 compared to \$72.5 million for the nine months ended September 30, 2019, mainly due to a decrease in interest rates, partially offset by a decrease in interest costs capitalized for property, plant and mine development and interest expense on the outstanding balance of the Revolver.

### *Other (Expense) Income, Net, Including Interest Income*

Other income, net, decreased by \$3.5 million to \$15.6 million for the nine months ended September 30, 2020 compared to \$19.1 million for the nine months ended September 30, 2019. Other income for the nine months ended September 30, 2020 was primarily the gain on bargain purchase price of \$15.2 million. Other income for the nine months ended September 30, 2019 was primarily the gain on the change in valuation of the royalty note payable of \$16.1 million.

### *Provision for Income Taxes*

For the nine months ended September 30, 2020, we had a tax benefit of \$63.8 million. For the nine months ended September 30, 2019, we had tax benefit of \$7.3 million. The effective tax rates were 35% and 17% for the nine months ended September 30, 2020 and 2019, respectively. Without discrete items, which primarily consist of tax expense related to equity compensation and a tax benefit related to the carryback of the NOLs, the effective tax rates for the nine months ended September 30, 2020 and 2019 would have been 24% and 29%, respectively.

During the nine months ended September 30, 2020 and 2019, we recorded tax expense related to equity compensation of \$1.7 million and \$4.5 million, respectively.

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## *Net (Loss) Income*

Net (loss) income attributable to U.S. Silica Holdings, Inc., was net losses of \$118.7 million and \$36.2 million for the nine months ended September 30, 2020 and 2019, respectively. The year over year changes were 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 pay for 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, borrowings under our credit facilities, or equity issuances. Our working capital is the amount by which current assets exceed current liabilities and is a measure of our ability to pay our liabilities as they become due. As of September 30, 2020, our working capital was \$238.9 million and we had \$49.6 million of availability under the Revolver. Based on our consolidated leverage ratio of 5.85:1.00 as of September 30, 2020, we may draw up to approximately \$30.0 million without the consent of our lenders. With the consent of our lenders, we have access to the full availability of the Revolver. Additionally, at September 30, 2020, other receivables included \$42.3 million of refunds related to NOL carryback claims filed for various tax years in accordance with certain provisions of the CARES Act, which we expect to receive during 2021.

In connection with the EPM acquisition, on May 1, 2018, we entered into the Credit Agreement with BNP Paribas, as administrative agent, and the lenders named therein. The Credit Agreement increases our existing senior debt by entering into a new \$1.380 billion senior secured Credit Facility, consisting of a \$1.280 billion Term Loan and a \$100 million Revolver that may also be used for swingline loans or letters of credit, and we may elect to increase the Term Loan in accordance with the terms of the Credit Agreement. The amounts owed under the Credit Agreement use LIBOR as a benchmark for establishing the rate at which interest accrues. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted but could include an increase in the cost to us of this indebtedness.

In response to the effects of the pandemic on our Oil & Gas Proppants segment, we have taken a number of steps to reduce our costs of operations, including dramatically reducing all discretionary spending, reducing officer salaries, lowering headcount, and closing or idling facilities as appropriate. We believe that cash on hand, cash generated through operations and cash generated from financing arrangements will be sufficient to meet our working capital requirements, anticipated capital expenditures, scheduled debt payments and any dividends declared for at least the next 12 months. During the period of economic disruption resulting from the COVID-19 pandemic, our ability to access capital markets and other sources of liquidity may be impaired. At this time, we do not believe that any limited access to the capital markets and other sources of liquidity will have a material adverse effect on our financial condition.

Management and our Board remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends or other distributions in cash, stock, or property in the future or otherwise return capital to our stockholders, including decisions about existing or new share repurchase programs, will be at the discretion of our Board and will be dependent on then-existing conditions, including industry and market conditions, our financial condition, results of operations, liquidity and 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. During May of 2020, our Board of Directors determined that it was not in the best interest of our shareholders to issue a dividend for the second quarter of 2020 and they subsequently decided not to issue a dividend for the third quarter of 2020.

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## Cash Flow Analysis

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

	Nine Months Ended September 30,	
	2020	2019
<b>Net cash (used in) provided by:</b>		
Operating activities	\$ (34,443)	\$ 116,381
Investing activities	(25,533)	(99,852)
Financing activities	9,159	(31,738)

### *Net Cash Used in / Provided by Operating Activities*

Operating activities consist primarily of net income (loss) adjusted for certain non-cash and working capital items. Adjustments to net income or loss for non-cash items include depreciation, depletion and amortization, deferred revenue, deferred income taxes, equity-based compensation and provision for credit losses. 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 \$34.4 million for the nine months ended September 30, 2020. This was mainly due to a \$119.4 million net loss adjusted for non-cash items, including \$115.6 million in depreciation, depletion and amortization, \$108.0 million in goodwill and other asset impairments, \$65.6 million in deferred income taxes, \$12.4 million in equity-based compensation, \$6.3 million in deferred revenue, \$24.4 million in gain on remeasurement of leases, and \$1.8 million in other miscellaneous non-cash items. Also contributing to the change was an \$81.2 million decrease in accounts receivable, a \$15.2 million decrease in inventories, a \$25.4 million increase in prepaid expenses and other current assets, an \$102.4 million decrease in accounts payable and accrued liabilities, and a \$25.1 million decrease in other operating assets and liabilities.

Net cash provided by operating activities was \$116.4 million for the nine months ended September 30, 2019. This was mainly due to a \$36.3 million net loss adjusted for non-cash items, including \$136.6 million in depreciation, depletion and amortization, a \$16.1 million gain on valuation change of royalty note payable, \$8.5 million in deferred income taxes, \$10.6 million in equity-based compensation, \$32.4 million in deferred revenue, and \$4.9 million in other miscellaneous non-cash items. Also contributing to the change was a \$3.8 million decrease in accounts receivable, \$4.0 million received related to vendor incentive, an \$8.5 million decrease in prepaid expenses and other current assets, a \$39.5 million increase in accounts payable and accrued liabilities, and \$11.7 million in other operating assets and liabilities.

### *Net Cash Used in / Provided by Investing Activities*

Investing activities consist primarily of cash consideration paid to acquire businesses and capital expenditures for growth and maintenance.

Net cash used in investing activities was \$25.5 million for the nine months ended September 30, 2020. This was mainly due to capital expenditures of \$27.8 million and capitalized intellectual property costs of \$0.5 million, offset by \$2.7 million in proceeds from the sale of property, plant and equipment. Capital expenditures for the nine months ended September 30, 2020 were primarily related to the payment of capital expenditures accrued in 2019 and improvements and expansions at our industrial facilities in Millen, Georgia, and Columbia, South Carolina and maintenance and other capital improvement projects.

Net cash used in investing activities was \$99.9 million for the nine months ended September 30, 2019. This was mainly due to capital expenditures of \$97.9 million and capitalized intellectual property costs of \$3.5 million. Capital expenditures for the nine months ended September 30, 2019 were mainly for engineering, procurement and construction of our growth projects, primarily Lamesa and equipment to expand our SandBox operations, and other maintenance and cost improvement capital projects.

Subject to our continuing evaluation of market conditions, we anticipate that our capital expenditures in 2020 will be approximately \$30 million, which is primarily associated with maintenance and cost improvement capital projects, and near-

term payback growth 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, dividend payments, share repurchases, borrowings and repayments related to the Revolver and Term Loan, as well as fees and expenses paid in connection with our credit facilities.

Net cash provided by financing activities was \$9.2 million for the nine months ended September 30, 2020. This was mainly due to \$10.2 million of long-term debt payments, \$6.2 million of dividends paid, \$1.2 million of contributions from non-controlling interest, and \$0.6 million of tax payments related to shares withheld for vested restricted stock and stock units, offset by a \$25.0 million draw down from the Revolver.

Net cash used in financing activities was \$31.7 million for the nine months ended September 30, 2019. This was mainly due to \$20.2 million of long-term debt payments, including approximately \$9.6 million for outstanding debt repurchase, \$13.9 million of dividends paid, \$2.9 million of tax payments related to shares withheld for vested restricted stock and restricted stock units, partially offset by \$5.2 million of capital contributions from a non-controlling interest.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have a current material effect or are reasonably likely to have a 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 of 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 2019 Annual Report. For more details on future minimum annual purchase commitments and operating leases commitments, please see accompanying Note O - Commitments and Contingencies and Note Q - Leases to our Consolidated 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 September 30, 2020, we had \$26.0 million accrued for future reclamation costs, as compared to \$25.8 million as of December 31, 2019.

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 2019 Annual Report.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenues and expenses during the reporting periods. We evaluate these estimates and assumptions on an ongoing basis and base our estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may materially differ from these estimates.

A summary of our significant accounting policies, including certain critical accounting policies and estimates, are included in Note B - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8 of our 2019 Annual Report on Form 10-K. Management believes that the application of these policies on a consistent basis enables us to provide the users of the Consolidated Financial Statements with useful and reliable information about our operating results and financial condition.

### **Recent Accounting Pronouncements**

New accounting pronouncements that have been recently adopted are described in Note B - Summary of Significant Accounting Policies to our Consolidated 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 "Investors" — "Financial Information" on our home page, we make available free of charge our annual reports 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 Sections 13(a) or 15(d) of the Exchange Act 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 available on its website at <http://www.sec.gov>.

Stockholders may also request a free copy of these documents from: U.S. Silica Holdings, Inc., attn.: Investor Relations, 24275 Katy Freeway, Suite 600, Katy, Texas 77494.

## **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 in "Recent Trends and Outlook" and "How We Generate Our Sales" in Item 2. 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 September 30, 2020, we had \$1.263 billion of debt outstanding under the Credit Agreement. Assuming LIBOR is greater than the 1.0% minimum base rate on the Term Loan, a hypothetical increase in interest rates by 1.0% would have changed our interest expense by \$12.6 million per year.

LIBOR is expected to be discontinued after 2021 and there can be no assurance as to what alternative base rate may replace LIBOR in the event it is discontinued, or whether such base rate will be more or less favorable to us. We intend to monitor the developments with respect to LIBOR and work with our lenders, including under the Credit Agreement, to ensure any transition away from LIBOR will have a minimal impact on our financial condition, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

### ***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' creditworthiness, 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 September 30, 2020. 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 September 30, 2020, 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 existing 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 September 30, 2020 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 matters described below, we are subject to various legal proceedings, claims, and governmental inspections, audits or investigations incidental to our business, which can cover general commercial, governmental regulations, antitrust and trade regulations, product liability, environmental, intellectual property, employment and other matters. Although the outcomes of these ordinary 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 few years has decreased to below pre-2001 levels, and we were named as a defendant in one, 20, and zero new silicosis cases filed in 2019, 2018, and 2017, respectively. The main driver of the increase in cases filed in 2018 was 16 claims arising out of a single location in Mississippi. During the nine months ended September 30, 2020, zero new claims were brought against U.S. Silica. As of September 30, 2020, there were 54 active silica-related product liability claims pending in which U.S. Silica is a defendant. Almost all of the claims pending against us arise out of the alleged use of our silica products in foundries or as an abrasive blast media and involve various other defendants. Prior to the fourth quarter of 2012, we had insurance policies for both our predecessors that cover certain claims for alleged silica exposure for periods prior to certain dates in 1985 and 1986 (with respect to certain insurance). As a result of a settlement with a former owner 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 product liability claims filed against us, including claims that allege silica exposure for periods for which we do not have insurance coverage. 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.

For more information regarding silica-related litigation, see Part I, Item 1A. Risk Factors of our 2019 Annual Report on Form 10-K.

One of our subsidiaries has also been named as a defendant in lawsuits regarding certain labor practices. If we are unsuccessful in defending the litigation, these cases could result in material liability for us.

### ITEM 1A. RISK FACTORS

Except as disclosed in Item 1A. Risk Factors in our Quarterly Report on Form 10-Q as of March 31, 2020, which is incorporated herein by reference, there have been no material changes from the risk factors disclosed in Item 1A. Risk Factors in our 2019 Annual Report on Form 10-K.

## 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 repurchased during the third quarter of 2020, the average price paid per share, the number of shares that we repurchased as part of our share repurchase program, and the approximate dollar value of shares that still could have been repurchased at the end of the applicable fiscal period pursuant to our share repurchase program:

Period	Total Number of Shares Withheld or Forfeited	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program <sup>(1)</sup>	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program <sup>(1)</sup>
July 1, 2020 - July 31, 2020	2,352	(2) \$ 2.77	—	126,540,060
August 1, 2020 - August 31, 2020	5,299	(2) \$ 4.20	—	126,540,060
September 1, 2020 - September 30, 2020	28,898	(2) \$ 4.02	—	126,540,060
Total	36,549	\$ 3.95	—	

(1) In May 2018, our Board of Directors authorized and announced the repurchase of up to \$200 million of our common stock.

(2) Shares withheld by U.S. Silica to pay taxes due upon the vesting of employee restricted stock and restricted stock units for the months ended July 31, August 31, and September 30, 2020, respectively.

We did not repurchase any shares of common stock under our share repurchase program during the three and nine months ended September 30, 2020.

From September 30, 2020 to the date of the filing of this Quarterly Report on Form 10-Q, we have not repurchased any shares of our common stock except in connection with the vesting of employee restricted stock and restricted stock units.

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

**ITEM 3.      DEFAULT UPON SENIOR SECURITIES**

None.

**ITEM 4.      MINE SAFETY DISCLOSURES**

Safety is one of our core values and we strive to achieve a workplace free of injuries and occupational illnesses. 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**

None.

**ITEM 6.      EXHIBITS**

**Incorporated by Reference**

<b>Exhibit Number</b>	<b>Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>
<a href="#">3.1</a>	<a href="#">Third Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective May 4, 2017.</a>	8-K	001-35416	3.1	May 10, 2017
<a href="#">3.2</a>	<a href="#">Third Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective May 4, 2017.</a>	8-K	001-35416	3.2	May 10, 2017
<a href="#">10.1†</a>	<a href="#">Separation, Severance and General Release Agreement entered into by and between Bradford B. Casper and U.S. Silica Company effective August 31, 2020</a>				
<a href="#">31.1*</a>	<a href="#">Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer.</a>				
<a href="#">31.2*</a>	<a href="#">Rule 13a-14(a)/15(d)-14(a) Certification by Donald A. Merrill, Chief Financial Officer.</a>				
<a href="#">32.1#</a>	<a href="#">Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer.</a>				
<a href="#">32.2#</a>	<a href="#">Section 1350 Certification by Donald A. Merrill, Chief Financial Officer.</a>				
<a href="#">95.1*</a>	<a href="#">Mine Safety Disclosure.</a>				
101*	101.INS XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document 101.SCH Inline XBRL Taxonomy Extension Schema 101.CAL Inline XBRL Taxonomy Extension Calculation 101.LAB Inline XBRL Taxonomy Extension Labels 101.PRE Inline XBRL Taxonomy Extension Presentation 101.DEF Inline XBRL Taxonomy Extension Definition				
104*	Cover Page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 formatted in Inline XBRL (and contained in Exhibit 101)				

\* Filed herewith

# Furnished herewith

† Certain information in Exhibit 10.1 has been omitted pursuant to Item 601(b)(2) of Regulation S-K because it is both not material and would be competitively harmful if publicly disclosed. The Company undertakes to furnish, supplementally, a copy of the unredacted exhibit to the Securities and Exchange Commission upon request.

We will furnish to any of our stockholders a copy of any of the above exhibits upon the written request of such stockholder.

## 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 29th day of October 2020.

U.S. Silica Holdings, Inc.

/s/ DONALD A. MERRIL

Name: Donald A. Merrill  
Executive Vice President & Chief  
Financial Officer (Authorized Signatory  
and Principal Financial Officer)

Title:

Certain information indicated with [\*\*\*\*] in this document has been omitted from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EMPLOYEE IS AFFIRMATIVELY ADVISED, INSTRUCTED, CAUTIONED AND RECOMMENDED TO CONSULT WITH AN ATTORNEY PRIOR TO THE EXECUTION OF THIS AGREEMENT. PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

DATE AGREEMENT FIRST DELIVERED TO EMPLOYEE: AUGUST 5, 2020

**CONFIDENTIAL SEPARATION. SEVERANCE AND  
GENERAL RELEASE AGREEMENT**

This Confidential Separation, Severance and General Release Agreement ("the Agreement") is entered into by and between Bradford B. Casper (the "Employee") and U.S. Silica Company (the "Company," and together with the Employee, the "Parties").

WHEREAS:

Employee's employment with the Company will terminate (the "Separation") effective August 31, 2020 (the "Separation Date"); and

The Company is willing to provide Employee with the severance benefits described herein; and;

This Agreement represents the waiver and release of any claims Employee might have against the Releasees (as such term is defined below) as of the date of his execution of this Agreement.

NOW, THEREFORE, for mutual consideration the adequacy and sufficiency of which is hereby acknowledged by the Parties:

**1. Severance Benefits.** Subject to the execution and non-revocation of this Agreement as set forth in Section 9 below, and subject further to compliance with all obligations under this Agreement, Employee will be entitled to receive from the Company the following severance benefits (the "Severance Benefits"):

(a) Severance Pay. Payment equal to [\*\*\*\*] months of salary, calculated at the annual base salary in effect as of the Separation Date, being \$[\*\*\*\*]), payable in a single lump sum. The Parties agree that the gross amount of such payment before withholdings is \$[\*\*\*\*] (the "Severance Payment"), and that the Severance Payment will be subject to all applicable tax withholdings. Such Severance Payment shall be made promptly, provided the conditions for payment as set forth in Section 1(e) are met and (ii) Employee has not revoked this Agreement in accordance with Section 9.

(b) Relocation Expense. Payment of a lump sum of \$[\*\*\*\*] to assist with any relocation expenses.

(c) 2020 ABIP. Even though he will not be employed by the Company on December 31, 2020, under the Company's annual bonus incentive program ("2020 ABIP"), Employee will receive a pro rata share (244/366) of his 2020 ABIP bonus payment, as appropriate and per Board or duly authorized Committee approval in accordance with 2020 ABIP bonus payout calculations for the Company's other similarly situated executive officers and in accordance with the Company's standard pay practices in March 2021. To be clear, Employee will not be treated more or less favorably than any other, similarly situated executives with regard to the personal performance portion of his 2020 ABIP bonus.



(d) RSU Vesting. Within 30 days after Employee's execution of this Agreement, and provided that Employee has not revoked this Agreement in accordance with Section 9, employee will receive [\*\*\*\*] shares of U.S. Silica Holdings, Inc. stock constituting [\*\*\*\*] of the previously awarded 2018 Restricted Stock Award ("RSU") grant. Employee will also receive [\*\*\*\*] shares of U.S. Silica Holdings, Inc. stock constituting [\*\*\*\*] of the previously awarded 2019 Restricted Stock Unit ("RSU") grant, and [\*\*\*\*] shares of U.S. Silica Holdings, Inc. stock constituting [\*\*\*\*] of the previously awarded 2020 RSU grants.

(e) PSU Vesting. Employee will receive a pro-rated number of shares following the pro-ration guidelines and subject to the company achieving the performance conditions set forth in the previously awarded 2018, 2019 and 2020 Performance Share Units ("PSU") grant agreements.

(f) Health Insurance: COBRA Rights. Effective as of the Separation Date, as required by the continuation coverage provisions of Section 4980B of the U. S. Internal Revenue Code of 1986, as amended (the "Code"), Employee will be offered the opportunity to elect continuation coverage under the group medical plan(s) of the Company ("COBRA coverage"). Employee will be provided with the appropriate COBRA coverage notice and election form for this purpose. Such eligibility for COBRA shall not be subject to the provisions in Section 1(e) below.

(i) If Employee elects COBRA coverage and complies with the requirements of Section 1(e) below, the Company will pay 100% of Employee's health insurance premium for [\*\*\*\*] months, beginning September 2020.

(ii) Payment in accordance with the above will be dependent upon the Company determining that payment of such amounts would not result in the imposition of excise taxes on the Company for any failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and the Health Care and Education Reconciliation Act of 2010, as amended. The existence and duration of Employee's rights and/or the COBRA rights of any of his/her eligible *dependents* will be determined in accordance with Section 4980B of the Code.

(g) Subject to the terms, conditions and exclusions of any policies, Employee will remain covered on the Company's D&O policy for any conduct in connection with his duties at the Company until August 31, 2022.

(h) Payment of all amounts in Section 1(a) above is **expressly conditioned upon the following**:

(i) Employee has not revoked this Agreement;

(ii) The Company has received adequate proof that there is a zero balance owed on Employee's Company credit card;

(iii) Employee has returned to the Company all Company *property* in his possession; and

(iv) Employee has otherwise cooperated with the Company in all matters related to his separation from the Company.

(i) Vacation Pay. Upon separation, Employee will also be paid a sum equal to all accrued but unused vacation, less applicable payroll taxes and withholdings, in accordance with Company policy.

(j) Agreement to Repay. The Company acknowledges and agrees that Employee's termination of employment does not constitute an "Employment Separation" under any Authorization for Payroll Deduction and Agreement to Repay, and as such, Employee is not required to repay any relocation expenses paid by the Company.

(k) No Other Entitlements. Employee acknowledges and agrees that the payments and benefits provided in Sections 1(a) through (h) constitute consideration beyond that which, but for the mutual covenants set forth in this Agreement, the Company otherwise would not be obligated to provide to Employee as of the Separation Date. Employee acknowledges that he will no longer be entitled to any other benefits, payments or contributions from the Company or its subsidiaries other than those specifically provided for in this Agreement or under an employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended.

**2. Earned Compensation.** Except for his final salary pay check, Employee specifically acknowledges that, as of the date of execution of this Agreement, he has been paid all wages, commissions, compensation, accrued time-off, benefits, and other amounts that Employee is or was owed under the Fair Labor Standards Act ("FLSA"), or any other applicable federal, state, or local law or regulation providing for the payment of wages, commissions, compensation, accrued time-off, and benefits ("Wage Law") to which he is entitled through and including the Separation Date. Except for the PSU Vesting set forth in Section 1(c) Employee is not owed any back-pay, damages, penalties, or any other amounts due under the FLSA, or any other applicable federal, state, or local Wage Law. Employee shall not be eligible for any other payment beyond the aforementioned.

**3. Non-Admission.** The Parties understand and agree that this Agreement does not represent any admission of liability or misconduct by any person or entity for any purpose. Rather, Employee and the Releasees are resolving all matters arising out of their employer-employee relationship and with all other relationships between Employee and the Releasees.

**4. Mutual Release.** In exchange for the benefits and undertakings described herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby fully and forever release and discharge each other, their parents, subsidiaries and affiliates, and each of its and their general and limited partners and members and managers, including, without limitation, each of their respective predecessors, successors, assigns, subsidiaries, affiliates, affiliated partnerships and companies, as well as current and former shareholders, directors, officers, employees, partners, members, trustees, attorneys, representatives, fiduciaries and/or agents, both individually and in their official capacities (collectively, the "Releasees") from any and all claims, suits, controversies, actions, causes of action, cross-claims, counterclaims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever, both past and present and whether known or unknown, suspected, or claimed against the Parties or any of the Releasees which the Parties or any of the Parties heirs, executors, administrators or assigns, may have, including (without limitation) those claims which arise in whole or in part in connection with Employee's hiring and employment by the Company and the Separation, including but not limited to his pay in whatever form, and specifically including Title VII of the Civil Rights Act of 1964; the Age Discrimination in Employment Act, as amended; the Older Workers' Benefit Protection Act of 1967, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act; the Fair Labor

Standards Act, as amended; the National Labor Relations Act, as amended; the Labor-Management Relations Act, as amended; the Worker Adjustment Retraining and Notification Act of 1988; the Rehabilitation Act of 1973, as amended; the Employee Retirement Income Security Act of 1974 (except as to rights which already may have vested); the Equal Pay Act of 1963 as amended; the Uniformed Services Employment and Reemployment Rights Act of 1994; Employment Discrimination, Texas Lab. Code Ann. §21.001, *et. seq.*, as amended; the Texas Payday Law, Texas Lab. Code Ann. §61.001, *et. seq.*, as amended; the Texas Minimum Wage Act, Texas Lab. Code Ann. §62.001, *et. seq.*, as amended; the anti-retaliation provisions of the Texas Workers' Compensation Act, Texas Lab. Code Ann § 451.001 *et. seq.*, as amended, and other applicable Texas statutes or regulations; and the common law of the state of Texas, in all cases except to the extent such claims cannot be waived as a matter of law, and all other federal, state or local laws, statutes, regulations or ordinances, any and all claims in contract, tort, public policy, or common law, and any and all claims for costs and attorney fees ("Claims"). It is the intention of the Parties in executing this Agreement that it will be effective as a bar to each and every claim, demand, and cause of action mentioned or implied in this Agreement. Each Party understands the significance of his or its release of unknown claims and his or its waiver of statutory protection against a release of unknown claims. In waiving and releasing any and all claims against the Released Parties, *whether or not now known* to the Parties, the Parties understand that this means that, if the Parties later discovers facts different from or facts in addition to those facts currently known by the Parties, or believed by the Parties to be true, the waivers and releases of this Agreement will remain effective in all respects — despite such different or additional facts and the Parties' later discovery of such facts, even if the Parties would not have agreed to this Agreement if they had prior knowledge of such facts.

**5. Representations and Acknowledgements.** Employee represents to each of the Releasees that at no time prior to execution of this Agreement has Employee filed or caused or permitted the filing of any Claim which he may now have or has ever had against any of the Releasees which is based in whole or in part on any matter referred to in Section 4 above; and Employee acknowledges that, subject to the Company's performance under this Agreement, to the maximum extent permitted by law, he is prohibited from doing so. Employee further agrees that if any person, organization, or other entity should bring a claim against the Released Parties involving any such matter, Employee will not accept any personal relief in such action.

**6. EXCEPTIONS FOR CLAIMS NOT BEING WAIVED OR RELEASED BY EMPLOYEE.** The only claims that are not being waived and released by Employee under this Agreement are claims Employee may have for:

- (a) unemployment benefits, workers' compensation benefits, state disability benefits and/or paid family leave insurance benefits pursuant to the terms of applicable state law;
- (b) any benefit entitlements that are vested as of the Separation Date pursuant to the terms of an Employer-sponsored benefit plan governed by the federal law known as "ERISA;"
- (c) violation of any federal, state or local statutory and/or public policy right or entitlement that, by applicable law, is not waivable;
- (d) any wrongful act or omission occurring after the date Employee signs this Agreement;
- (e) any claim under the Fair Labor Standards Act or claim for health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act ("COBRA");

(f) any claim Employee may have to challenge the knowing and voluntary nature of this Agreement under the Older Workers' Benefit Protection Act ("OWBPA"); or

(g) any other claim, as determined by a court of competent jurisdiction that cannot be waived as a matter of law.

#### **7. GOVERNMENT AGENCY CLAIMS EXCEPTION.**

(a) Nothing in this Agreement prevents or prohibits Employee from filing a claim with or participating in an administrative investigation or proceeding of a government agency, such as the U.S. Equal Employment Opportunity Commission, that is responsible for enforcing a law on behalf of the government. However, Employee understands that, because Employee is waiving and releasing all claims for monetary damages and any other form of personal relief, except as set forth above, Employee may only seek and receive non-personal forms of relief through any such claim.

(b) Employee further understands and acknowledges that nothing in this Agreement prohibits, penalizes, or otherwise discourages Employee from reporting, providing testimony regarding, or otherwise communicating any nuclear safety concern, workplace safety concern, public safety concern, or concern of any sort, to the U.S. Department of Labor or any federal or state government agency.

(c) Employee also understands and acknowledges that nothing in this Agreement shall be construed to prohibit him from engaging in any activity protected by the Sarbanes-Oxley Act, 18 U.S.C. § 1514A and the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, H.R. 4173.

(d) Nothing in this Agreement prohibits or restricts Employee from: (i) making any disclosure of information required by law; and (ii) providing information to, or testifying or otherwise assisting or cooperating in any investigation or proceeding brought by, any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization in compliance with a valid court order, or the Company's designated legal compliance officer. Employee agrees to promptly provide written notice to Company if he is requested to provide information or testimony.

**8. Non-Disparagement; Employment References.** The Parties, including the Company's Board members, agree that effective on the Separation Date, they will not at any time make, publish or communicate to any person or entity (including Company employees, customers, clients, suppliers, and investors) or in any public forum criticize or otherwise defame, disparage or discredit each other or any of the Releasees, or any of their respective officers, directors, board members, employees, products or services. The Parties agree that, in response to any inquiry from a prospective employer of Employee, the Company will advise such prospective employer of Employee's starting and ending dates of employment, his job title as of the Separation Date, will verify previous compensation *only* if the requesting party provides salary data for confirmation, and if asked whether Employee is subject for rehire, the Company shall answer "Yes".

**9. Voluntary Execution; ADEA Compliance.** Employee acknowledges that he has entered into this Agreement freely and without coercion, that he has been advised orally and is being advised herein in writing by the Company to consult with counsel of his choice, that he has had adequate opportunity to so consult, and that he has been given all time periods required by law to consider this Agreement (the "Consideration Period"), including but not limited to the 21-day period required by the ADEA. Employee acknowledges that everything Employee is

receiving for signing this Agreement is described in this Agreement itself, and no other promises or representations have been made to cause Employee to sign it. Employee acknowledges that Employee has had at least twenty-one (21) days after receipt of this information and Agreement to consider whether to accept or reject this Agreement. Employee understands that Employee may sign this Agreement prior to the end of such twenty-one (21) day period, but is not required to do so. Employee understands that if he chooses to execute this Agreement less than 21 days from his receipt from the Company, such execution will represent his knowing waiver of such Consideration Period. Employee further acknowledges that within the 7-day period following his execution of this Agreement (the "Revocation Period") he will have the unilateral right to revoke this Agreement, and that the Company's obligations hereunder will become effective only upon the expiration of the Revocation Period without his revocation hereof. In order to be effective, notice of Employee's revocation of this Agreement must be received by the Company on or before the last day of the Revocation Period. Any notice of revocation must be hand delivered, or sent by e-mail and express courier (UPS or Federal Express only), prepaid next-day air, to the Company in care of its attorney, Stacy Russell, General Counsel and Corporate Secretary, [\*\*\*\*].

#### **10. Proprietary Information, Non-Compete & Restrictive Covenants.**

(a) Employee acknowledges that the information, observations and data obtained by him during the course of his employment with the Company concerning (1) any business information not otherwise publicly available concerning the organization, business, investments, prospective investments or finances of the Company or any of the Releasees; (2) any personal information concerning the present or former partners, employees, officers and directors of the Company or any of the Releasees, (3) information received from any third party which any Releasee is under an obligation to keep confidential (collectively, "Confidential Information") is the property of the respective Releasee. Employee agrees that he will not, directly or indirectly, disclose to any unauthorized person or use for his own account any of such Confidential Information unless, and only to the extent that, (i) such matters become generally known to and available for use by the public other than as a result of Employee's acts or omissions, or (ii) he is required to do so by order of a court of competent jurisdiction (by subpoena or similar process), in which event Employee will reasonably cooperate with the Company or the Releasees in connection with any action to restrict, limit or suppress such disclosure. Employee represents, warrants and covenants that at no time prior to or contemporaneous with his/her execution of this Agreement has he, directly or indirectly, disclosed Confidential Information to any unauthorized person or used such Confidential Information for his/her own purposes or benefit.

(b) Employee acknowledges that his Proprietary Information, Non-Compete & Restrictive Covenant Agreement, attached as **Exhibit A** to the Agreement, is NOT WAIVED and remains in effect for 15 (fifteen) months after the Separation Date for all competitors except COVIA which has an eighteen (18 month) restrictive covenant, and as otherwise amended by Exhibit B.

(c) In further consideration for the Severance Benefits outlined in Section 1, and the Mutual Release, Employee and Company acknowledge and agree to the addendum to the Proprietary Information, Non-Compete and Restrictive Covenant Agreement attached as **Exhibit B** to the Agreement, which amends Exhibit A to the Agreement.

**11. Confidentiality of Agreement.** The Company and Employee agree that the terms and conditions of this Agreement are to be strictly confidential, except that Employee may disclose the terms and conditions to his family, attorneys, accountants, tax consultants, state and federal tax authorities or as may otherwise be required by law. The Company may disclose the terms and

conditions of this Agreement as the Company deems necessary to its officers, employees, board of directors, stockholders, insurers, attorneys, accountants, state and federal tax authorities, or as may otherwise be required by law. Employee warrants that he has not discussed, and agrees that except as expressly authorized by the Company he will not discuss, this Agreement or the circumstances of his Separation with any employee of the Company, and that he will take affirmative steps to avoid or absent himself from any such discussion even if he is not an active participant in the discussion. Employee understands and agrees that his breach of this Agreement, as determined by a court with competent jurisdiction, will eliminate his entitlement to any Severance Benefits under this Agreement, including such benefits already received and, with respect to benefits received, upon request from the Company, Employee will be required to immediately return such amounts or monetary equivalent of such benefit requested by the Company in the event of a breach. EMPLOYEE ACKNOWLEDGES THE SIGNIFICANCE AND MATERIALITY OF THIS PROVISION TO THIS AGREEMENT, AND HIS/HER UNDERSTANDING OF THIS PROVISION.

**12. Third Party Beneficiaries.** As third-party beneficiaries of this Agreement, the Releasees (or any of them) will be entitled to enforce this Agreement in accordance with its terms in respect of the rights granted to such Releasees. There are no other third-party beneficiaries to this Agreement.

**13. No Precedential Effect.** By entering into this Agreement, it is not the intention of the Company to establish any policy, procedure, course of dealing or plan of general application irrespective of any similarity in facts or circumstances involving such other employee, on the one hand, and Employee, on the other hand.

**14. Entire Agreement.** This Agreement contains the entire agreement between the Parties with respect to the subject matter set forth in this Agreement, and supersedes and preempts all other agreements and obligations between the Parties; provided however, that this Agreement does not merge, supersede or replace the terms of any "Ownership of Proprietary Information, Assignment of Inventions, Non-solicitation, and Nondisclosure Agreement for Employees" or "Proprietary Information, Non-Compete & Restrictive Covenant Agreement" (as amended by Exhibit B) (the "Surviving Agreements"), or any other restrictive covenant or non-compete agreements which shall remain in full and effect according to their own terms, except to the extent there is a conflict between the terms of this Agreement and the Surviving Agreement, the terms of this Agreement shall govern. The terms and conditions of this Agreement are contractual and not a mere recital. No part of this Agreement may be changed except in writing executed by the Parties.

**15. Choice of Law.** This Agreement will be interpreted in accordance with the laws of the State of Texas. Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement will be held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provision or the remaining provisions of this Agreement.

**16. Headings.** Any titles, captions and headings contained in this Agreement are inserted for convenience of reference only and are not intended to be a part of or to affect in any way the meaning or interpretation of this Agreement.

17. **No Right to Re-Employment.** Employee acknowledges and agrees that neither the Company nor any of the Releasees is obligated to offer him employment (or to accept services or the performance of work from him/her, whether directly or indirectly) now or in the future.

18. **Code Section 409A.** This Agreement is intended to comply with the requirements of Code Section 409A and the Treasury Regulations and other guidance issued thereunder, as in effect from time to time, to the extent a payment hereunder is, or shall become subject to the application of Code Section 409A. To the extent a provision of this Agreement is contrary to or fails to address the requirements of Code Section 409A and related Treasury Regulations, this Agreement shall be construed and administered as necessary to comply with such requirements to the extent allowed under applicable Treasury Regulations until this Agreement is appropriately amended to comply with such requirements. If as of the Separation Date Employee is determined to be a "specified employee" as defined in Treasury Regulation Section 1A09A-1(i), then the payment shall be delayed until a date that is six months after the date of Employee's Separation Date to the extent necessary to comply with the requirements of Code Section 409A and related Treasury Regulations; provided, however that the payments to which Employee would have been entitled during such 6-month period, but for this subparagraph, shall be accumulated and paid to Employee without interest in a lump sum within ten days following the date that is six months following Employee's Separation Date, and any remaining payments shall continue to be paid to Employee on their original schedule. If Employee dies during such six-month period and prior to the payment of the portion that is required to be delayed on account of Code Section 409A, such amount shall be paid to Employee's estate within 60 days after Employee's death.

**[Remainder of page intentionally blank]**

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date of the last signature affixed below.

READ CAREFULLY BEFORE SIGNING.

WITH MY SIGNATURE BELOW, I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THIS AGREEMENT, I HAVE HAD REASONABLE AND SUFFICIENT OPPORTUNITY TO CONSULTANT WITH AN INDEPENDENT LEGAL REPRESENTATIVE OF MY OWN CHOOSING, AND I UNDERSTAND ALL OF ITS TERMS INCLUDING THE FULL AND FINAL RELEASE OF CLAIMS SET FORTH ABOVE.

I FURTHER ACKNOWLEDGE THAT I HAVE FREELY AND VOLUNTARILY AND WITHOUT DURESS OR UNDUE PRESSURE OR INFLUENCE OF ANY KIND OR NATURE, ENTERED INTO THIS AGREEMENT, THAT I HAVE NOT RELIED UPON ANY REPRESENTATION, PROMISE, WARRANTY OR STATEMENT, WRITTEN OR ORAL, NOT SET FORTH IN THIS AGREEMENT, THAT I HAVE BEEN GIVEN THE OPPORTUNITY TO HAVE THIS AGREEMENT REVIEWED BY MY ATTORNEY AND THAT I HAVE BEEN ENCOURAGED BY THE COMPANY TO DO SO.

I ALSO ACKNOWLEDGE THAT I HAVE BEEN AFFORDED AT LEAST 21 DAYS TO CONSIDER THIS AGREEMENT AND THAT I HAVE 7 DAYS AFTER SIGNING THIS AGREEMENT TO REVOKE IT BY DELIVERING WRITTEN NOTIFICATION OF MY REVOCATION AS SET FORTH ABOVE. IF THIS AGREEMENT IS NOT REVOKED IN THIS MANNER, IT WILL BECOME EFFECTIVE ON THE EIGHTH DAY AFTER I SIGN IT. FURTHERMORE, I UNDERSTAND THAT IF I REVOKE THIS AGREEMENT, THIS AGREEMENT WILL BECOME NULL AND VOID AND I WILL NOT BE ENTITLED TO THE BENEFITS CONFERRED BY THIS AGREEMENT, INCLUDING PAYMENTS SET FORTH HEREIN IF THE AGREEMENT IS REVOKED.

Bradford B. Casper

/s/ Brad Casper Dated: August 31, 2020

U. S. SILICA COMPANY

By: /s/ Bryan Shinn

Title: Chief Executive Officer Dated: September 1, 2020



**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 September 30, 2020;
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: October 29, 2020

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn

Title: Chief Executive Officer

**CERTIFICATION**

I, Donald A. Merrill, 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 September 30, 2020;
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: October 29, 2020

/s/ DONALD A. MERRIL

Name: Donald A. Merrill

Title: Executive Vice President and Chief  
Financial Officer

**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 September 30, 2020 (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: October 29, 2020

/s/ BRYAN A. SHINN

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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.

**SECTION 1350 CERTIFICATION**

I, Donald A. Merrill, 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 September 30, 2020 (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: October 29, 2020

/s/ DONALD A. MERRIL

Name: Donald A. Merrill

Title: Executive Vice President and 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.

**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 District’s approach to enforcement. Due to timing and other factors, the data below may not agree with the mine data retrieval system maintained by the MSHA at [www.MSHA.gov](http://www.MSHA.gov)

The following table details the citations and orders issued and civil penalties assessed to us by MSHA during the quarter ended September 30, 2020:

*(whole dollars)*

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed (1)	Total Number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Berkley Springs, WV / 4602805	2	0	0	0	0	\$0.00*	0	No	No	0	0	0
Celatom Mine, OR / 3503237	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Celatom Plant, OR / 3503236	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Cheto Mine, AZ / 0200103	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Clark, NV / 2600677	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Columbia, SC / 3800138	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Crane, TX / 4105331	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Dubberly, LA / 1600489	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Fernley, NV / 2601950	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Festus, MO / 2302377	0	0	0	0	0	\$0.00*	0	No	No	0	0	0
Fowlkes Mine, MS / 2200460	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Hazen Mine, NV / 2600679	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Hurtsboro, AL / 100617	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Jackson, MS / 2200415	1	0	0	0	0	\$1,718.00	0	No	No	0	0	0
Jackson, TN / 4002937	0	0	0	0	0	\$0.00	0	No	No	3	0	0
Kosse, TX / 4100262	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Lamesa, TX / 4105363	0	0	0	0	0	\$123.00	0	No	No	0	0	0
Lovelock, NV (Colado Plant) / 2600680	0	0	0	0	0	\$0.00	0	No	No	3	0	0
Lovelock, NV (Colado Mine) / 2600672	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mapleton, PA / 3603122	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mauricetown, NJ / 2800526	1	0	0	0	0	\$0.00*	0	No	No	0	0	0
Middletown, TN / 4002968	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mill Creek Mine, OK / 3400836	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Mill Creek Plant, OK / 3400377	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Millen, GA / 0901232	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Montpelier, VA / 4402829	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Ottawa, IL / 1101013	1	0	0	0	0	\$0.00*	0	No	No	0	0	6
Pacific, MO / 2300544	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Popcorn Mine, NV / 2602236	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Port Elizabeth, NJ / 2800510	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Rockwood, MI / 2000608	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Seagraves, TX / 4105004	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Sparta, WI / 4703644	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Tyler, TX /4104182	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Utica, IL / 1103268	0	0	0	0	0	\$0.00	0	No	No	0	0	0
Voca, TX / 4104855	0	0	0	0	0	\$0.00	0	No	No	0	0	0

(1) Amounts included are the total dollar value of proposed assessments received from MSHA on or before September 30, 2020, regardless of whether the assessment has been challenged or appealed. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by the MSHA District's approach to enforcement and vary depending on the size and type of the operation

\* As of September 30, 2020 MSHA had not yet proposed an assessment for 2 S&S citations and 2 non-S&S citations at Berkley Springs, WV.

\* As of September 30, 2020 MSHA had not yet proposed an assessment for 2 non-S&S citations at Clark, NV.

\* As of September 30, 2020 MSHA had not yet proposed an assessment for 5 non-S&S citations at Columbia, SC.

\* As of September 30, 2020 MSHA had not yet proposed an assessment for 1 non-S&S citation at Festus, MO.

\* As of September 30, 2020 MSHA had not yet proposed an assessment for 1 S&S citation and 3 non-S&S citations at Mauricetown, NJ.

\* As of September 30, 2020 MSHA had not yet proposed an assessment for 1 S&S citation and 8 non-S&S citations at Ottawa, IL.

\* As of June 30, 2020 MSHA had not yet proposed an assessment for 1 non-S&S citation at Mill Creek, OK.

\* As of June 30, 2020 MSHA had not yet proposed an assessment for 1 non-S&S citation at Montpelier, VA.

\* As of June 30, 2020 MSHA had not yet proposed an assessment for 1 non-S&S citation at Pacific, MO.