

U.S. SILICA HOLDINGS, INC.
Form 10-K
February 21, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2017

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

Commission file number 1-35416
U.S. Silica Holdings, Inc.
(Exact name of registrant as specified in its charter)
Delaware 26-3718801
(State or other jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
8490 Progress Drive, Suite 300
Frederick, Maryland 21701
(Address of Principal Executive Offices) (Zip Code)
(301) 682-0600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Act:
Title of each class: Name of each exchange on which registered:
Common Stock, par value \$0.01 per share New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Securities Act: None

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

The aggregate market value of the outstanding common stock held by non-affiliates of the registrant as of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was \$2,870,547,820 based on the closing price of \$35.49 per share, as reported on the New York Stock Exchange.

As of February 16, 2018, 80,539,945 shares of the common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K Certain sections of the Proxy Statement for the 2018 Annual Meeting of Shareholders for U.S. Silica Holdings, Inc.

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U.S. Silica Holdings, Inc.

FORM 10-K

For the Fiscal Year Ended December 31, 2017

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Forward-Looking Statements

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

- fluctuations in demand for commercial silica;
- the cyclical nature of our customers’ businesses;
- operating risks that are beyond our control, such as changes in the price and availability of transportation, natural gas or electricity; unusual or unexpected geological formations or pressures; cave-ins, pit wall failures or rock falls; or unanticipated ground, grade or water conditions;
- our dependence on five of our plants for a significant portion of our sales;
- the level of activity in the natural gas and oil industries;
- decreased demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing;
- federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related regulatory action or litigation affecting our customers’ operations;
- our rights and ability to mine our properties and our renewal or receipt of the required permits and approvals from governmental authorities and other third parties;
- our ability to implement our capacity expansion plans within our current timetable and budget and our ability to secure demand for our increased production capacity, and the actual operating costs once we have completed the capacity expansion;
- our ability to succeed in competitive markets;
- loss of, or reduction in, business from our largest customers;
- increasing costs or a lack of dependability or availability of transportation services and transload network access or infrastructure;
- extensive regulation of trucking services;
- our ability to recruit and retain truckload drivers;
- increases in the prices of, or interruptions in the supply of, natural gas and electricity, or any other energy sources;
- increases in the price of diesel fuel;
- diminished access to water;
- our ability to successfully complete acquisitions or integrate acquired businesses;
- our ability to make capital expenditures to maintain, develop and increase our asset base and our ability to obtain needed capital or financing on satisfactory terms;
- our substantial indebtedness and pension obligations;
- restrictions imposed by our indebtedness on our current and future operations;
- contractual obligations that require us to deliver minimum amounts of frac sand or purchase minimum amounts of services;
- the accuracy of our estimates of mineral reserves and resource deposits;

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a shortage of skilled labor and rising costs in the mining industry;
our ability to attract and retain key personnel;
our ability to maintain satisfactory labor relations;
our reliance on patents, trade secrets and contractual restrictions to protect our proprietary rights;
our significant unfunded pension obligations and post-retirement health care liabilities;
our ability to maintain effective quality control systems at our mining, processing and production facilities;
seasonal and severe weather conditions;
fluctuations in our sales and results of operations due to seasonality and other factors;
interruptions or failures in our information technology systems;
the impact of a terrorist attack or armed conflict;
extensive and evolving environmental, mining, health and safety, licensing, reclamation and other regulation (and changes in their enforcement or interpretation);
silica-related health issues and corresponding litigation;
our ability to acquire, maintain or renew financial assurances related to the reclamation and restoration of mining property; and
other factors included and disclosed in Part I, Item 1A, “Risk Factors” and elsewhere in this Annual Report on Form 10-K.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under Item 1A, “Risk Factors” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K. 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 Securities and Exchange Commission (the “SEC”) and public communications. You should evaluate all forward-looking statements made in this Annual Report on Form 10-K in the context of these risks and uncertainties. We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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PART I.

ITEM 1. BUSINESS

Unless we state otherwise or the context otherwise requires, the terms “we,” “us,” “our,” “U.S. Silica,” “the Company,” “our business,” “our company” refer to U.S. Silica Holdings, Inc. and its consolidated subsidiaries as a combined entity. Adjusted EBITDA as used herein is a non-GAAP measure. For a detailed description of Adjusted EBITDA and a reconciliation to the most comparable GAAP measure, please see the discussion under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – How We Evaluate Our Business – Adjusted EBITDA.”

Our Company

Business Overview

We are one of the largest domestic producers of commercial silica, a specialized mineral that is a critical input into a variety of attractive end markets. During our 118-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 239 products to customers across these markets. As of December 31, 2017, we operate 19 production facilities across the United States and control 765 million tons of reserves of commercial silica, which can be processed to make 323 million tons of finished products that meet American Petroleum Institute (“API”) frac sand specifications.

On August 16, 2016, we completed the acquisition of New Birmingham, Inc. (“NBI”), a regional sand producer located near Tyler, Texas. On August 22, 2016, we completed the acquisition of Sandbox Enterprises, LLC (“Sandbox” or the “Sandbox Acquisition”) as a “last mile” logistics solution for frac sand in the oil and gas industry. On April 1, 2017, we completed the acquisition of White Armor, a product line of cool roof granules used in industrial roofing applications. On August 16, 2017, we completed the acquisition of Mississippi Sand, LLC (“MS Sand”). MS Sand is a frac sand mining and logistics company based in St. Louis, Missouri.

For more information regarding these acquisitions, see Note D - Business Combinations to our Financial Statements in Part II, Item 8 to this Annual Report on Form 10-K.

Our operations are organized into two segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. In our largest end market, oil and gas proppants, our frac sand is used to stimulate and maintain the flow of hydrocarbons in oil and natural gas wells. We produce a wide range of frac sand sizes and are capable of efficient delivery of large quantities of API grade frac sand to most of the major U.S. shale basins via our logistics network. Our silica is also used as an economically irreplaceable raw material in a wide range of industrial applications, including glassmaking and chemical manufacturing. Additionally, in recent years a number of attractive new end markets have developed for our high-margin, performance silica products, including high-performance glass, specialty coatings, polymer additives and geothermal energy systems. Our segments are complementary because our ability to sell to a wide range of customers across end markets allows us to maximize recovery rates in our mining operations, optimize our asset utilization and reduce the cyclicity of our earnings.

Corporate History

U.S. Silica Holdings, Inc. was incorporated under the laws of the State of Delaware on November 14, 2008. U.S. Silica Company, which has been a domestic producer of commercial silica for 118 years, became a wholly-owned subsidiary of the Company on November 25, 2008. On January 31, 2012, we completed our initial public offering of our common stock.

Our Strengths

We attribute our success to the following strengths:

Large-scale producer with a diverse and high-quality reserve base. Our 19 geographically dispersed production facilities control 765 million tons of reserves, including API size frac sand and large quantities of silica with distinct characteristics, giving us the ability to sell over 239 products to customers in both our Oil & Gas Proppants segment and Industrial & Specialty Products segment. Our large-scale production, logistics capabilities and long reserve life make us a preferred commercial silica supplier to our customers. Our consistent, reliable supply of large quantities of silica gives our customers the security to customize their production processes around our commercial silica. Furthermore, our large scale provides us earnings diversification and a larger addressable market.

Geographically advantaged footprint with intrinsic transportation advantages. The strategic location of our facilities and our logistics capabilities enable us to enjoy high customer retention and a larger addressable market.

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In our Oil & Gas Proppants segment, our network of frac sand production facilities with access to Class I rail either onsite or by truck and the strategic locations of our transloads serve to create an addressable market that includes every major U.S. shale basin. We believe we are one of the few frac sand producers capable of cost-effectively delivering API grade frac sand to most of the major U.S. shale basins by on-site rail.

On August 16, 2017, we completed the acquisition of MS Sand, a frac sand mining and logistics company based in St. Louis, Missouri.

In July 2017, we purchased a new Greenfield site near Lamesa, Texas, which depending on market conditions, could become operational as early as the second quarter of 2018 and add approximately 2.6 million tons of annual frac sand capacity.

In May 2017, we purchased a new Greenfield site in Crane County, Texas, which depending on market conditions, could become operational as early as the first quarter of 2018 and add approximately 4 million tons of annual frac sand capacity.

On August 16, 2016, we acquired NBI, the ultimate parent company of NBR Sand, LLC, a regional sand producer located near Tyler, Texas. This facility allows customers to ship regional sand directly to the wellheads in the Texas and Louisiana basins by truck, which provides us with a delivered cost advantage.

On August 22, 2016, we completed the acquisition of Sandbox, a provider of logistics solutions and technology for the transportation of proppant used in hydraulic fracturing in the oil and gas industry. Sandbox provides “last mile” logistics to oil and gas companies. Sandbox has operations in Texas (Midland/Odessa, Kenedy, Dallas/Fort Worth, Tyler); Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado; Oklahoma City, Oklahoma; Cambridge, Ohio and Mansfield, Pennsylvania, where its major customers are located, which allowed us to expand our frac sand offering directly to customers' wellhead locations.

Additionally, due to the high weight-to-value ratio of many silica products in our Industrial & Specialty Products segment, the proximity of our facilities to our customers' facilities often results in us being their sole supplier. This advantage has enabled us to enjoy strong customer retention in this segment, with our top five Industrial & Specialty Products segment customers purchasing from us for an average of over 50 years.

Low-cost operating structure. We focus on building and operating facilities with low delivered cost that will allow us to be successful through market cycles. We believe the combination of the following factors contributes to our low-cost structure and our high margins:

- our ownership of the vast majority of our reserves, resulting in mineral royalty expense that was less than 0.1% of our sales in 2017;

- the close proximity of our mines to their respective processing plants, which allows for a cost-efficient and highly automated production process;

- our processing expertise, which enables us to create over 239 products with unique characteristics while minimizing waste;

- our integrated logistics management expertise and geographically advantaged facility network, which enables us to reliably ship products by the most cost-effective method available, whether by truck, rail or barge, to meet the needs of our customers, whether at in-basin transload locations or directly at wellhead locations via our Sandbox operations;

- our large customer base across numerous end markets, which allows us to maximize our mining recovery rate and asset utilization; and

- our large overall and plant-level operating scale.

Strong reputation with our customers and the communities in which we operate. We believe that we have built a strong reputation during our 118-year operating history. Our customers know us for our dependability and our high-quality, innovative products, as we have a long track record of timely delivery of our products according to customer specifications. We also have an extensive network of technical resources, including materials science and petroleum engineering expertise, which enables us to collaborate with our customers to develop new products and improve the performance of their existing applications. We are also well known in the communities in which we operate as a preferred employer and a responsible corporate citizen, which generally serves us well in hiring new employees and securing difficult to obtain permits for expansions and new facilities.

Experienced management team. The members of our senior management team bring significant experience to the dynamic environment in which we operate. Their expertise covers a range of disciplines, including industry-specific

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operating and technical knowledge as well as experience managing high-growth businesses. We believe we have assembled a flexible, creative and responsive team that can quickly adapt to the rapidly evolving unconventional oil and natural gas drilling landscape.

Our Business Strategy

The key drivers of our growth strategy include:

Expand our Oil & Gas Proppants production capacity and product portfolio. We continue to consider and execute several initiatives to increase our frac sand production capacity and augment our proppant product portfolio. We are evaluating Greenfield opportunities and are expanding production capacities and maximizing production efficiencies of our existing facilities.

Increase our presence and product offering in industrial and specialty products end markets. Our research and business development teams work in tandem with our customers to develop new products, which we expect will either increase our presence and market share in certain industrial and specialty products end markets or allow us to enter new markets. We manage a robust pipeline of new products in various stages of development. Some of these products have already come to market, resulting in a positive impact on our financial results. We continue to work toward offering more value-driven industrial and specialty products that will enhance the profitability of the business. For instance, on April 1, 2017, we completed the White Armor acquisition, a product line of cool roof granules used in industrial roofing applications.

Optimize product mix and further develop value-added capabilities to maximize margins. We continue to actively manage our product mix at each of our plants to ensure we maximize our profit margins. This requires us to use our proprietary expertise in balancing key variables, such as mine geology, processing capacities, transportation availability, customer requirements and pricing. We expect to continue investing in ways to increase the value we provide to our customers by expanding our product offerings, improving our supply chain management, upgrading our information technology, and creating a world class customer service model.

Expand our supply chain network and leverage our logistics capabilities to meet our customers' needs in each strategic oil and gas basin. We continue to expand our logistics network to ensure product is available to meet the in-basin needs of our customers. This approach allows us to provide strong customer service and puts us in a position to take advantage of opportunistic spot market sales. Our plant sites are strategically located to provide access to key Class I railroads, which enables us to cost effectively send product to each of the strategic basins in North America. We can ship product by truck, barge and rail with an ability to connect to short-line railroads as necessary to meet our customers' evolving in-basin product needs. We believe that our supply chain network and logistics capabilities are a competitive advantage that enables us to provide superior service for our customers. We expect to continue to make strategic investments and develop partnerships with transload operators and transportation providers that will enhance our portfolio of supply chain services that we can provide to customers. As of December 31, 2017, we have storage capacity at 56 transloads located near all of the major shale basins in the United States. Our acquisition of Sandbox extends our delivery capability directly to our customers' wellhead locations, which increases efficiency and provides a lower cost logistics solution for our customers. Sandbox has operations in Texas (Midland/Odessa, Kenedy, Dallas/Fort Worth, Tyler); Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado; Oklahoma City, Oklahoma; Cambridge, Ohio and Mansfield, Pennsylvania, where its major customers are located. Evaluate both Greenfield and Brownfield expansion opportunities and other acquisitions. We expect to continue leveraging our reputation, processing capabilities and infrastructure to increase production, as well as explore other opportunities to expand our reserve base.

We may accomplish this by developing Greenfield projects, where we can capitalize on our technical knowledge of geology, mining and processing and our strong reputation within local communities. For instance, in May 2017, we purchased a new Greenfield site in Crane County, Texas, which depending on market conditions, could become operational as early as the first quarter of 2018 and add approximately 4 million tons of annual frac sand capacity. Additionally, in July 2017, we purchased a new Greenfield site near Lamesa, Texas, which depending on market conditions, could become operational as early as the second quarter of 2018 and add approximately 2.6 million tons of annual frac sand capacity.

We are continuing to actively pursue acquisitions to grow by taking advantage of our asset footprint, our management's experience with high-growth businesses, and our strong customer relationships. Our primary objective is to acquire assets with differing levels of frac sand qualities that are complementary to our Oil & Gas Proppants segment, with a focus on mining, processing and logistics to further enhance our

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market presence. We prioritize acquisitions that provide opportunities to realize synergies (and, in some cases, the acquisition may be immediately accretive assuming synergies), including entering new geographic and frac sand product markets, acquiring attractive customer contracts and improving operations. On August 16, 2016, we completed our acquisition of NBI, the ultimate parent company of NBR Sand, LLC, a regional sand producer located near Tyler, Texas. On August 22, 2016, we completed the acquisition of Sandbox, a provider of logistics solutions and technology for the transportation of proppant used in hydraulic fracturing in the oil and gas industry. On August 16, 2017, we completed our acquisition of MS Sand, a frac sand mining and logistics company based in St. Louis, Missouri. We are in active discussions to acquire additional assets fitting this strategy, which, if completed, could be “significant” under Regulation S-X and could require additional sources of financing. There can be no assurance that we will reach a definitive agreement and complete any of these potential transactions. See the risk factors disclosed in Item 1A of Part I of this Annual Report on Form 10-K, including the risk factor entitled, “If we cannot successfully complete acquisitions or integrate acquired businesses, our growth may be limited and our financial condition may be adversely affected.”

Maintain financial strength and flexibility. We intend to maintain financial strength and flexibility to enable us to better manage through industry downturns and pursue acquisitions and new growth opportunities as they arise. In March 2016, we completed a public offering of 10,000,000 shares of our common stock for total cash net proceeds of \$186.2 million. In November 2016, we executed another offering of 10,350,000 shares of common stock raising net cash proceeds of \$467.0 million. As of December 31, 2017, we had \$384.6 million of cash on hand and \$45.5 million of availability under our revolving credit facility (the "Revolver").

Our Products

In order to serve a broad range of end markets, we produce and sell a variety of commercial silica products, including whole grain and ground products, as well as other industrial mineral products that we believe complement our commercial silica products.

Whole Grain Silica Products—We sell whole grain commercial silica products in a range of shapes, sizes and purity levels. We sell whole grain silica that has a round shape and high crush strength to be used as frac sand in connection with oil and natural gas recovery, and we have the capability to produce resin coated sand.

We also sell whole grain silica products in a range of size distributions, grain shapes and chemical purity levels to our customers involved in the manufacturing of glass products, including a low-iron whole grain product sold to manufacturers of architectural and solar glass applications. In addition, we sell several grades of whole grain round silica to the foundry industry and provide whole grain commercial silica to the building products industry. Sales of whole grain commercial silica products and coated proppants accounted for approximately 91%, 86%, and 88% of our total sales revenue for 2017, 2016 and 2015, respectively.

Ground Silica Products—Our ground commercial silica products are inherently inert, white and bright, with high purity. We market our ground silica in sizes ranging from 40 to 250 microns for use in plastics, rubber, polishes, cleansers, paints, glazes, textile fiberglass and precision castings. We also produce and market fine ground silica in sizes ranging from 5 to 40 microns for use in premium paints, specialty coatings, sealants, silicone rubber and epoxies. We believe we are currently the only commercial silica producer in the United States that manufactures a 5-micron product. Sales of ground silica products accounted for approximately 7%, 12%, and 9% of our total sales revenue for 2017, 2016 and 2015 respectively.

Industrial Mineral Products—We also produce and sell certain other industrial mineral products, such as aplite and magnesium silicate. Aplite is a mineral used to produce container glass and insulation fiberglass and is a source of alumina that has a low melting point and a low tendency to form defects in glass. We also produce and sell a highly selective adsorbent made from a mixture of silica and magnesium, used extensively in preparative and analytical chromatography. Sales of our other industrial mineral products accounted for approximately 2%, 2%, and 3% of our total sales revenue for 2017, 2016 and 2015, respectively.

Our Industry

The commercial silica industry consists of businesses that are involved in the mining, processing and distribution of commercial silica. Commercial silica, also referred to as “silica,” “industrial sand and gravel,” “sand,” “silica sand” and “quartz sand,” is a term applied to sands and gravels containing a high percentage of silica (silicon dioxide, SiO₂) in the form

of quartz. Commercial silica deposits occur throughout the United States, but mines and processing facilities are typically located near end markets and in areas with access to transportation infrastructure. Other factors affecting the feasibility of commercial silica production include deposit composition, product quality specifications, land-use and environmental regulation, including

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permitting requirements, access to electricity, natural gas and water and a producer's expertise and know-how. New entrants face serious hurdles to establish their operations, including:

- the difficulty of finding silica reserves suitable for use as frac sand, which, according to the API, must meet stringent technical specifications, including, among others, sphericity, grain size, crush resistance, acid solubility, purity and turbidity;
- the difficulty of securing contiguous reserves of silica large enough to justify the capital investment required to develop a mine, processing plant, product storage and rail track;
- a lack of industry-specific geological, exploration, development and mining knowledge and experience needed to enable the identification, acquisition and development of high-quality reserves;
- the difficulty of identifying reserves with the above characteristics that either are located in close proximity to oil and natural gas reservoirs or have the rail access needed for low-cost transportation to major shale basins;
- the difficulty of securing mining, production, water, air, refuse and other federal, state and local operating permits from the proper authorities, a process that can require up to three years; and
- the difficulty of assembling a large, diverse portfolio of customers to optimize operations.

Extraction Processes

Commercial silica deposits are formed from a variety of sedimentary processes and have distinct characteristics that range from hard sandstone rock to loose, unconsolidated dune sands. While the specific extraction method utilized depends primarily on the deposit composition, most silica is mined using conventional open-pit bench extraction methods and begins after clearing the deposit of any overlying soil and organic matter. The silica deposit composition and chemical purity also dictate the processing methods and equipment utilized. For example, broken rock from a sandstone deposit may require one, two or three stages of crushing to liberate the silica grains required for most markets. Unconsolidated deposits may require little or no crushing, as silica grains are not tightly cemented together.

We conduct only surface mining operations and do not operate any underground mines, although we do lease underground reserves at our Festus, MO, operation, which are being mined underground by a contractor. Mining methods at our facilities include conventional hard rock mining, hydraulic mining, surface or open-pit mining of loosely consolidated silica deposits and dredge mining. Hard rock mining involves drilling and blasting in order to break up sandstone into sizes suitable for transport to the processing facility by truck, slurry or conveyor. Hydraulic mining involves spraying high-pressure water to break up loosely consolidated sandstone at the mine face. Surface or open-pit mining involves using earthmoving equipment, such as bucket loaders, to gather silica deposits for processing. Lastly, dredging involves gathering silica deposits from mining ponds and transporting them by slurry pipelines for processing. We may also use slurry pipelines in our hydraulic and open-pit mining efforts to expedite processing. Silica mining and processing typically has less of an environmental impact than the mining and processing of other minerals, in part because it uses fewer chemicals. Our processing plants are equipped to receive the mined sand, wash away impurities, eliminate oversized or undersized particles and remove moisture through a multi-stage drying process. Our 19 production facilities are located primarily in the eastern half of the United States, with operations in Alabama, Illinois, Louisiana, Michigan, Missouri, New Jersey, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, West Virginia and Wisconsin. Each of our facilities operates year-round, typically in shift schedules designed to optimize facility utilization in accordance with market demand. Our facilities receive regular preventative maintenance, and we make additional capital investments in our facilities as required to support customer volumes and internal performance goals. For more information related to our production facilities, see Item 2, "Properties".

We believe we have a broad and high quality mineral reserves base due to our strategically located mines and facilities. At December 31, 2017, we estimate that we had approximately 765 million tons of proven and probable mineral reserves. The quantity and nature of the mineral reserves at each of our properties are estimated by our mining engineers. Our mining engineers update our reserve estimates annually, making necessary adjustments for reserve usage at each location during the year and additions or reductions due to property acquisitions and dispositions, quality adjustments and mine plan updates. Before acquiring new reserves, we perform surveying, drill core analysis and other tests to confirm the quantity and quality of the acquired reserves. In some instances, we acquire the mineral

rights to reserves without actually taking ownership of the properties. For more information related to our production facilities, deposits and reserves, see Item 2, "Properties".

Production Processes

After extracting the ore, the silica is washed with water to remove fine impurities such as clay and organic particles. In some deposits, these fine contaminants or impurities are tightly bonded to the surface of the silica grain and require attrition scrubbing to be removed. Other deposits require the use of flotation to collect and separate contaminants from the silica. When

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these contaminants are weakly magnetic, special high intensity magnets may be utilized in the process to improve the purity of the final commercial silica product. After the silica has been washed, most output is dried prior to sale. The next step in the production process involves the classification of commercial silica products according to their chemical purity, particle shape and particle size distribution. Generally, commercial silica is produced and sold in either whole grain form or ground form. Whole grain silica generally ranges from 12 to 140 mesh. Mesh refers to the number of openings per linear inch on a sizing screen. Whole grain silica products are sold in a range of shapes, sizes and purity levels to be used in a variety of industrial applications, such as oil and natural gas hydraulic fracturing proppants, glass, foundry, building products, filtration and recreation. Some whole grain silica is further processed to ground silica of much smaller particle sizes, ranging from 5 to 250 microns. A micron is one-millionth of a meter.

Quality Control

We maintain a standard of excellence through our mining and processing facilities some of which include ISO 9001-registered quality systems. We use automated process control systems that efficiently manage the majority of the mining and processing functions, and we monitor the quality and consistency of our products by conducting hourly tests throughout the production process to detect variances. All of our major facilities operate a testing laboratory to evaluate and ensure the quality of our products and services. We also provide customers with documentation verifying that all products shipped meet customer specifications. These quality assurance functions ensure that we deliver quality products to our customers and maintain customer trust and loyalty.

In addition, we have certain company-wide quality control mechanisms. We maintain a company-wide quality assurance database that facilitates easy access and analysis of product and process data from all plants. We also have fully staffed and equipped corporate laboratories that provide critical technical expertise, analytical testing resources and application development to promote product value and cost savings. The labs consist of different departments: a foundry lab, a paint and coatings lab, an analytical lab, a minerals-processing lab and an oil and gas lab. The foundry lab is fully equipped for analyzing foundry silica based on grain size distribution, acidity, acid demand value and turbidity, which is a measure of silica cleanliness. The paint and coatings lab provides formulation, application, and testing of paints, coatings and grouts for end use in fillers and extenders as well as building products. The analytical lab performs various analyses on products for quality control assessment. The minerals processing lab models plant production processes to test variations in deposits and improve our ability to meet customer requirements. The oil and gas lab performs testing and provides in-depth analysis of all types of hydraulic fracturing proppants to verify products meet specifications, such as API size and crush strength specifications. Additionally, this lab is responsible for the development of new resin coated products and the technical oversight of our Rochelle, Illinois facility.

Distribution

We ship our commercial silica products direct to our customers by truck, rail or barge and through our network of in-basin transloads. Recent trends in the oil and gas market and the expansion of our logistics footprint have resulted in more of our product volumes being transported by high-efficiency unit trains over the past two years. During 2017, we shipped 349 unit trains to both our transload sites and our customers. Our recent acquisition of Sandbox extends our delivery capability directly to our customers' wellhead locations. Sandbox provides "last mile" logistics to companies in the oil and gas industry, which increases efficiency and provides a lower cost logistics solution for our customers. Sandbox has operations in Texas (Midland/Odessa, Kenedy, Dallas/Fort Worth, Tyler); Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado; Oklahoma City, Oklahoma; Cambridge, Ohio and Mansfield, Pennsylvania, where its major customers are located.

For bulk commercial silica, transportation cost represents a significant portion of the overall product cost. Generally, we utilize trucks for shipments of 200 miles or less from our plant sites and to distribute our bagged products. Given the weight-to-value ratio of most of our products, the majority of our shipments outside this 200-mile radius are by rail. As a result, facility location is one of the most important considerations for producers and customers. Generally, our plant sites are strategically located to provide access to all Class I railroads or in strategic shale basins, which enables us to cost effectively send product to points of end use in North America.

We are continuously looking to increase the number of available transload points to which we have access. This approach allows us to provide strong customer service and puts us in a position to take advantage of opportunistic spot market sales. As of December 31, 2017, we have 56 transload facilities strategically located in or near all major shale

basins in the United States. For more information related to our transload facilities, see Item 2, “Properties”. Both we and our customers lease a significant number of railcars for shipping purposes, as well as to facilitate the short-term storage of our products, particularly our frac sand products. As of December 31, 2017, we leased a fleet of 7,111 railcars, of which no empty cars were in storage.

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In addition to bulk shipments, commercial silica products can be packaged and shipped in 50 to 100 pound bags or bulk super sacks. Bag shipments are usually made to smaller customers with batch operations, warehouse distributor locations or for ocean container shipments made overseas. The products that are shipped in bags are often higher value products, such as ground and fine.

Primary End Markets

The special properties of commercial silica—chemistry, purity, grain size, color, inertness, hardness and resistance to high temperatures—make it critical to a variety of industries. Commercial silica is a key input in the well completion process, specifically, in the hydraulic fracturing techniques used in unconventional oil and natural gas wells. In the industrial and specialty products end markets, stringent quality requirements must be met when commercial silica is used as an ingredient to produce thousands of everyday products, including glass, building and foundry products and metal castings, as well as certain specialty applications such as high-performance glass, specialty coatings, polymer additives and geothermal energy systems. Due to the unique properties of commercial silica, it is an economically irreplaceable raw material in a wide range of industrial applications. Our major end markets include:

Oil and Gas Proppants

Commercial silica is used as a proppant for oil and natural gas recovery in conventional and unconventional resource plays. Unconventional oil and natural gas production requires hydraulic fracturing and other well stimulation techniques to recover oil or natural gas that is trapped in the source rock and typically involves horizontal drilling. Frac sand is pumped down oil and natural gas wells at high pressures to prop open rock fissures in order to increase the flow rate of hydrocarbons from the wells. Proppants are also used in the "refracturing" process where older wells are restimulated using newer technologies and additional frac sand as a viable and lower-cost alternative to drilling new wells. The frac sand market experienced substantial growth from 2008 until 2014, driven by the growth in the use of hydraulic fracturing. From 2015 and through most of 2016, the frac sand market was negatively impacted due to reduced oil and gas drilling and completion activity in North America. Oil and gas drilling activity increased throughout 2017, leading to more completion activity. Leading indicators for completion activity suggest stabilization or even an increase in the near future.

Glass

Commercial silica is a critical input into and accounts for 55% to 75% of the raw materials in glass production. The glassmaking markets served by commercial silica producers include containers, flat glass, specialty glass and fiberglass. Demand typically varies within each of these end markets.

The container glass, flat glass and fiberglass end markets are generally mature end markets. Demand for container glass has historically grown in line with population growth, and we expect similar growth in the future. Flat glass and fiberglass tend to be correlated with construction and automotive production activity. While construction activity has improved during the past few years, automotive production activity has experienced recent declines. To the extent construction and domestic automotive production activity grow in the coming years, we expect that demand in these end markets will continue to increase. Some of the anticipated growth in the glass markets may be offset through the use of recycled glass.

Building Products

Commercial silica is used in the manufacturing of building products for commercial and residential construction. Whole grain commercial silica products are used in flooring compounds, mortars and grouts, specialty cements, stucco and roofing shingles. Ground commercial silica products are used by building products manufacturers in the manufacturing of certain fiberglass products and additionally as functional extenders and to add durability and weathering properties to cementitious compounds. In addition, geothermal wells are an alternative energy source that requires specialized ground silica products in their well casings for effectiveness. The market for commercial silica used to manufacture building products is driven primarily by the demand in the construction markets. The historical trend for this market has been one of growth, especially in demand for cementitious compounds for new construction, renovation and repair. We have seen an increase in permits and housing starts since 2012, and those gains continued in 2017. To the extent the housing market growth continues in the coming years, we expect that demand in this end market will increase.

Foundry

Commercial silica products are used in the production of molds for metal castings and in metal casting products. In addition, commercial whole grain silica is sold to coaters of foundry silica, or coated internally, who then sell their product to foundries for cores and shell casting processes. The demand for foundry silica primarily depends on the rate of automobile and light truck production, construction and production of heavy equipment like rail cars. Over the past decade, there has been some movement of foundry supply chains to Mexico and other offshore production areas. We have experienced increases in

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foundry demand since 2011. During 2017, several of the foundry markets continued to see growth. To the extent production levels continue to strengthen in the coming years, we expect that demand in this end market will increase.

Chemicals

Both whole grain and ground silica products are used in the manufacturing of silicon-based chemicals, such as sodium silicate, that are used in a variety of applications, including food processing, detergent products, paper textile, specialty foundry applications and as inputs for some precipitated silicas. This end market is driven by the development of new products by the chemicals manufacturers, including specialty coatings and polymer additives as well as the growth of “green” tires. We expect this end market to grow as these manufacturers continue their product and applications development.

Fillers and Extenders

Commercial silica products are sold to producers of paints and coating products for use as fillers and extenders in architectural, industrial and traffic paints and are sold to producers of rubber and plastic for use in the production of epoxy molding compounds and silicone rubber. The commercial silica products used in this end market are most often ground silica, including finer ground classifications. The market for fillers and extenders is driven by demand in the construction and automotive production industries as well as by demand for materials in the housing remodeling industry. We have experienced increases in demand in these sectors since 2011. To the extent these industries continue to grow in the coming years, we expect demand to increase.

Our Customers

We sell our products to a variety of end markets. Our customers in the oil and gas proppants end market include major oilfield services companies and exploration and production companies that are engaged in hydraulic fracturing. Sales to the oil and gas proppants end market comprised approximately 82%, 65%, and 67% of our total sales revenue in 2017, 2016 and 2015, respectively.

Our primary markets have historically been core industrial end markets with customers engaged in the production of glass, building products, foundry products, chemicals and fillers and extenders. Our diverse customer base drives high recovery rates across our production. We also benefit from strong and long-standing relationships with our customers in each of the industrial and specialty products end markets we serve. Sales to our industrial and specialty products end markets comprised approximately 18%, 35%, and 33% of our total sales revenue in 2017, 2016 and 2015, respectively.

Sales to our two largest customers, which are Oil & Gas Proppants customers, accounted for 15% and 12% of our total sales during the year ended December 31, 2017. No other customers accounted for 10% or more of our total sales.

Competition

Both of our reporting segments operate in highly competitive markets that are characterized by a small number of large, national producers and a larger number of small, regional or local producers. According to a January 2018 publication by the United States Geological Survey (“USGS”), in 2017, there were 200 producers of commercial silica with a combined 340 active operations in 35 states within the United States. Competition in the industry across both of our reporting segments is based on price, consistency and quality of product, site location, distribution capability, customer service, reliability of supply, breadth of product offering and technical support. As transportation costs are a significant portion of the total cost to customers of commercial silica, in many instances transportation costs can represent more than 50% of delivered cost, the commercial silica market is typically local, and competition from beyond the local area is limited. Notable exceptions to this are the frac sand and fillers and extenders markets, where certain product characteristics are not available in all deposits and not all plants have the requisite processing capabilities, necessitating that some products be shipped for extended distances. Because the markets for our products are typically local, we also compete with smaller, regional or local producers. For more information regarding competition, see “Risk Factors—Risks Related to Our Business—Our future performance will depend on our ability to succeed in competitive markets, and on our ability to appropriately react to potential fluctuations in demand for and supply of our products.”

Seasonality

Our business is affected to some extent by seasonal fluctuations in weather that impact our production levels and our customers' business needs. For example, during the second and third quarters we sell more commercial silica to our customers in the building products and recreation end markets due to increased construction activity resulting from more favorable weather. First and fourth quarters can experience lower sales, and sometimes production levels, largely from adverse weather hampering logistical capabilities and general decreased customer activity levels.

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Intellectual Property

Other than operating licenses for our mining and processing facilities, there are no third-party patents, licenses or franchises material to our business. Our intellectual property primarily consists of trade secrets, know-how and trademarks, including our name US SILICA® and products with trademarked names such as OTTAWA WHITE®, MIN-U-SIL®, MYSTIC WHITE II®, Q-ROK®, SIL-CO-SIL®, PREMIUM HICKORY®, US SILICA WHITE®, InnoProp® and SANDBOX® among others. We own patents and have patent applications pending related to Sandbox, our "last mile" logistics solution. All of the issued patents have an expiration date after August 20, 2027 with a majority of issued patents expiring after December 21, 2031. With respect to our other products, we principally rely on trade secrets, rather than patents, to protect our proprietary processes, methods, documentation and other technologies, as well as certain other business information. Although we do seek patents from time to time, patent protection requires a costly and uncertain federal registration process that would place our confidential information in the public domain. As a result, we typically utilize trade secrets to protect the formulations and processes we use to manufacture our products and to safeguard our proprietary formulations and methods. We believe we can effectively protect our trade secrets indefinitely through the use of confidentiality agreements and other security measures.

Condition of Physical Assets and Insurance

Our business is capital intensive and requires ongoing capital investment for the replacement, modernization and/or expansion of equipment and facilities. For more information, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

We maintain insurance policies against property loss and business interruption and insure against risks that are typical in the operation of our business, in amounts that we believe to be reasonable. Such insurance, however, contains exclusions and limitations on coverage, particularly with respect to environmental liability and political risk. There can be no assurance that claims would be paid under such insurance policies in connection with a particular event. See Item 1A, "Risk Factors".

Commercial Team

Our commercial team consists of approximately 92 individuals responsible for all aspects of our sales process, including pricing, marketing, transportation and logistics, product development and general customer service. This necessitates a highly organized staff and extensive coordination between departments. For example, product development requires the collaboration of our market development team, sales team, our production facilities and our corporate laboratories. Our sales team interacts directly with our customers in determining their needs, our production facilities fulfill the orders and our corporate laboratories are responsible for ensuring that our products meet those needs.

Our commercial team can be divided into five units:

Sales—Our sales team is organized by both region and end market. We have an experienced group of dedicated sales team members for the oil and gas proppants and the industrial and specialty end markets. Our oil and gas proppants team is led out of our Houston office and is regionally positioned in the oil and gas markets across the U.S. This staff consists of experienced experts in the use of frac proppants in the oil and gas industry. Our industrial and specialty products sales team is strategically located near our major customers. As we make decisions to enter or expand our presence in certain end markets or regions, we will continue to add dedicated team members to support that growth.

Marketing—Our marketing team coordinates all of our new and existing customer outreach efforts and identifies emerging market trends and new product opportunities. This includes producing exhibits for trade shows and exhibitions, manufacturing product overview materials, participating in regional industry meetings and other trade associations and managing our advertising efforts in trade journals.

Transportation and Logistics—Our transportation and logistics team manages domestic and international shipments by directing inbound and outbound rail, barge and truck traffic, supervising equipment maintenance, coordinating with rail carriers to ensure equipment availability, ensuring compliance with shipping regulations and strategically planning for future growth. With our Sandbox acquisition we can deliver frac sand directly to wellheads.

Technical—Our technical team is anchored by our Industrial & Specialty Products laboratory in Berkeley Springs, West Virginia and our Oil & Gas laboratory in Houston, Texas. At these facilities, we perform a variety of analyses

including:

analytical chemistry by X-Ray Fluorescence (“XRF”) and Inductively Coupled Plasma (“ICP”) spectroscopy;

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particle characterization by sieve, SediGraph, Brunauer, Emmett and Teller (“BET”) surface area and microscopy;
ore evaluation by mineral processing, flotation and magnetic separation;
API frac sand evaluation, including crush resistance; and
American Foundry Society (“AFS”) green sand evaluation by various foundry sand tests.

Many other product analyses are performed locally at our 19 production facilities to support new product development, plant operations and customer quality requirements.

We also have a variety of other technical competencies including process engineering, equipment design, facility construction, maintenance excellence, environmental engineering, geology and mine planning and development. Effective integration of these capabilities has been a critical component of our business success and has allowed us to establish and maintain an extensive, high-quality silica sand reserve base, maximize the value of our reserves by producing and selling a wide range of high-quality products, optimize processing costs to provide strong value to customers and prioritize operating in a safe and environmentally sustainable manner.

Customer Service—Our customer service team is dedicated to creating an exceptional customer experience and making it easy to do business with our company. The organization aims to accomplish this by consistently exceeding our customers’ expectations, continually improving our performance, offering efficient and timely responses to customer needs, being available to our customers 24/7 and providing customers with personal points of contact on whom they can rely.

Employees

As of December 31, 2017, we employed a workforce of 2,202 employees, the majority of whom are hourly wage plant workers living in the areas surrounding our mining facilities. The majority of our hourly employees are represented by labor unions that include the Teamsters Union; United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union; Laborers International Union of North America; Glass, Molders, Pottery, Plastics and Allied Workers International Union; and International Union of Operating Engineers A.F.L. - C.I.O. We believe that we maintain good relations with our workers and their respective unions and have not experienced any material strikes or work stoppages since 1987.

Our employees average approximately 8 years of tenure with us, and we have an annual employee turnover rate of 12%, excluding the impact of reductions in workforce as part of the restructuring actions. We believe our stable workforce has directly contributed to improved process efficiencies and safety, which in turn help drive cost reductions. We believe our labor rates compare favorably to other mining and manufacturing facilities in the same geographic areas. We maintain workers’ compensation coverage in amounts required by law and have no material claims pending. We also offer all full-time employees a competitive package of employee benefits, which includes medical, dental, life and disability coverage.

Regulation and Legislation

Mining and Workplace Safety

Federal Regulation

The U.S. Mine Safety and Health Administration (“MSHA”) is the primary regulatory organization governing the commercial silica industry. Accordingly, MSHA regulates quarries, surface mines, underground mines and the industrial mineral processing facilities associated with quarries and mines. The mission of MSHA is to administer the provisions of the Federal Mine Safety and Health Act of 1977 and to enforce compliance with mandatory safety and health standards. MSHA works closely with the Industrial Minerals Association, a trade association in which we have a significant leadership role, in pursuing this mission. As part of MSHA’s oversight, representatives perform at least two unannounced inspections annually for each above-ground facility. For additional information regarding mining and workplace safety, including MSHA safety and health violations and assessments in 2017, see Item 4, “Mine Safety Disclosures”.

We also are subject to the requirements of the U.S. Occupational Safety and Health Act (“OSHA”) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA Hazard Communication Standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and the public. OSHA regulates the customers and users of commercial silica and provides detailed regulations requiring employers to protect employees

from overexposure to silica bearing dust through the enforcement of permissible exposure limits and the OSHA Hazard Communication Standard.

Internal Controls

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We adhere to a strict occupational health program aimed at controlling exposure to silica bearing dust, which includes dust sampling, a respiratory protection program, medical surveillance, training and other components. Our safety program is designed to ensure compliance with the standards of our Occupational Health and Safety Manual and MSHA regulations. For both health and safety issues, extensive training is provided to employees. We have safety committees at our plants made up of salaried and hourly employees. We perform annual internal health and safety audits and conduct annual crisis management drills to test our plants' abilities to respond to various situations. Health and safety programs are administered by our corporate health and safety department with the assistance of plant Environmental, Health and Safety Coordinators.

Motor Carrier Regulation

Our trucking services are regulated by the U.S. Department of Transportation ("DOT"), the Federal Motor Carrier Safety Administration ("FMCSA") and by various state agencies. These regulatory authorities have broad powers, generally governing matters such as authority to engage in motor carrier operations, as well as motor carrier registration, driver hours of service, safety and fitness of transportation equipment and drivers, transportation of hazardous materials and periodic financial reporting. In addition, each driver is required to have a commercial driver's license and may be subject to mandatory drug and alcohol testing. We may be audited periodically by these regulatory authorities to ensure that we are in compliance with various safety, hours-of-service, and other rules and regulations.

The transportation industry is subject to possible other regulatory and legislative changes (such as the possibility of more stringent environmental, climate change, security and/or occupational safety and health regulations, limits on vehicle weight and size and a mandate to implement electronic logging devices) that may affect the economics of our trucking services by requiring changes in operating practices or by changing the demand for motor carrier services or the cost of providing truckload or other transportation or logistics services.

Environmental Matters

We and the commercial silica industry are subject to extensive governmental regulation on, among other things, matters such as permitting and licensing requirements, plant and wildlife protection, hazardous materials, air and water emissions and environmental contamination and reclamation. A variety of state, local and federal agencies enforce this regulation.

Federal Regulation

At the federal level, we may be required to obtain permits under Section 404 of the Clean Water Act from the U.S. Army Corps of Engineers for the discharge of dredged or fill material into waters of the United States, including wetlands and streams, in connection with our operations. We also may be required to obtain permits under Section 402 of the Clean Water Act from the U.S. Environmental Protection Agency ("EPA") (or the relevant state environmental agency in states where the permit program has been delegated to the state) for discharges of pollutants into waters of the United States, including discharges of wastewater or storm water runoff associated with construction activities. Failure to obtain these required permits or to comply with their terms could subject us to administrative, civil and criminal penalties as well as injunctive relief.

The U.S. Clean Air Act and comparable state laws regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. These regulatory programs may require us to install expensive emissions abatement equipment, modify our operational practices and obtain permits for our existing operations, and before commencing construction on a new or modified source of air emissions, such laws may require us to reduce emissions at existing facilities. As a result, we may be required to incur increased capital and operating costs because of these regulations. We could be subject to administrative, civil and criminal penalties as well as injunctive relief for noncompliance with air permits or other requirements of the U.S. Clean Air Act and comparable state laws and regulations.

As part of our operations, we utilize or store petroleum products and other substances such as diesel fuel, lubricating oils and hydraulic fluid. We are subject to applicable requirements regarding the storage, use, transportation and disposal of these substances, including the relevant Spill Prevention, Control and Countermeasure requirements that the EPA imposes on us. Spills or releases may occur in the course of our operations, and we could incur substantial costs and liabilities as a result of such spills or releases, including those relating to claims for damage or injury to

property and persons.

Additionally, some of our operations are located on properties that historically have been used in ways that resulted in the release of contaminants, including hazardous substances, into the environment, and we could be held liable for the remediation of such historical contamination. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the Superfund law, and comparable state laws impose joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of hazardous substances into the environment. These persons include the owner or operator of the site where the release occurred and anyone who disposed or arranged for the disposal of a hazardous substance released at the site. Under CERCLA, such persons may be subject to

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liability for the costs of cleaning up the hazardous substances, for damages to natural resources, and for the costs of certain health studies. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. In addition, the Resource Conservation and Recovery Act (“RCRA”) and comparable state statutes regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the auspices of the EPA, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. In the course of our operations, we generate industrial solid wastes that may be regulated as hazardous wastes.

Our operations may also be subject to broad environmental review under the National Environmental Policy Act (“NEPA”). NEPA requires federal agencies to evaluate the environmental impact of all “major federal actions” significantly affecting the quality of the human environment. The granting of a federal permit for a major development project, such as a mining operation, may be considered a “major federal action” that requires review under NEPA. Therefore, our projects may require review and evaluation under NEPA. As part of this evaluation, the federal agency considers a broad array of environmental impacts, including, among other things, impacts on air quality, water quality, wildlife (including threatened and endangered species), historical and archaeological resources, geology, socioeconomics and aesthetics. NEPA also requires the consideration of alternatives to the project. The NEPA review process, especially the preparation of a full environmental impact statement, can be time consuming and expensive. The purpose of the NEPA review process is to inform federal agencies’ decision-making on whether federal approval should be granted for a project and to provide the public with an opportunity to comment on the environmental impacts of a proposed project. While NEPA requires only that an environmental evaluation be conducted and does not mandate a result, a federal agency could decide to deny a permit, or impose certain conditions on its approval, based on its environmental review under NEPA, or a third party may challenge the adequacy of a NEPA review.

Federal agencies granting permits for our operations also must consider impacts to endangered and threatened species and their habitat under the Endangered Species Act. We also must comply with and are subject to liability under the Endangered Species Act, which prohibits and imposes stringent penalties for the harming of endangered or threatened species and their habitat. Federal agencies also must consider a project’s impacts on historic or archaeological resources under the National Historic Preservation Act, and we may be required to conduct archaeological surveys of project sites and to avoid or preserve historical areas or artifacts.

State and Local Regulation

Because our operations are located in numerous states, we are also subject to a variety of different state and local environmental review and permitting requirements. Some states in which our projects are located or are being developed have state laws similar to NEPA; thus our development of new sites or the expansion of existing sites may be subject to comprehensive state environmental reviews even if they are not subject to NEPA. In some cases, the state environmental review may be more stringent than the federal review. Our operations may require state law based permits in addition to federal permits, requiring state agencies to consider a range of issues, many the same as federal agencies, including, among other things, a project’s impact on wildlife and their habitats, historic and archaeological sites, aesthetics, agricultural operations and scenic areas. Some states also have specific permitting and review processes for commercial silica mining operations, and states may impose different or additional monitoring or mitigation requirements than federal agencies. The development of new sites and our existing operations also are subject to a variety of local environmental and regulatory requirements, including land use, zoning, building and transportation requirements.

As demand for frac sand in the oil and natural gas industry has driven a significant increase in current and expected future production of commercial silica, some local communities have expressed concern regarding silica sand mining operations. These concerns have generally included exposure to ambient silica sand dust, truck traffic, water usage and blasting. In response, certain state and local communities have developed or are in the process of developing regulations or zoning restrictions intended to minimize dust from getting airborne, control the flow of truck traffic, significantly curtail the amount of practicable area for mining activities, provide compensation to local residents for potential impacts of mining activities and, in some cases, ban issuance of new permits for mining activities. To date, we have not experienced any material impact or disruption to our existing mining operations or planned capacity

expansions as a result of these types of concerns.

We have a long history of positive engagement with the communities that surround our existing mining operations. We have an annual employee turnover rate of 12%, excluding the impact of reductions in workforce as part of the restructuring actions, and have had no significant strikes in more than 30 years, evidence of the strong relationship we have with our employees. We believe this strong relationship helps foster good relations with the communities in which we operate. Although additional regulatory requirements could negatively impact our business, financial condition and results of operations, we believe our existing operations are less likely to be negatively impacted by virtue of our good community relations.

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Planned expansion of our mining and production capacity in new communities could be more significantly impacted by increased regulatory activity. Difficulty or delays in obtaining or inability to obtain new mining permits or increased costs of compliance with future state and local regulatory requirements could have a material negative impact on our ability to grow our business. In an effort to minimize these risks, we continue to be engaged with local communities in order to grow and maintain strong relationships with residents and regulators.

Costs of Compliance

We may incur significant costs and liabilities as a result of environmental, health and safety requirements applicable to our activities. Failure to comply with environmental laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of investigatory, cleanup and site restoration costs and liens, the denial or revocation of permits or other authorizations and the issuance of injunctions to limit or cease operations. Compliance with these laws and regulations may also increase the cost of the development, construction and operation of our projects and may prevent or delay the commencement or continuance of a given project. In addition, claims for damages to persons or property may result from environmental and other impacts of our activities.

The process for performing environmental impact studies and reviews for federal, state and local permits for our operations involves a significant investment of time and monetary resources. We cannot control the permit approval process. We cannot predict whether all permits required for a given project will be granted or whether such permits will be the subject of significant opposition. The denial of a permit essential to a project or the imposition of conditions with which it is not practicable or feasible to comply could impair or prevent our ability to develop a project. Significant opposition and delay in the environmental review and permitting process also could impair or delay our ability to develop a project. Additionally, the passage of more stringent environmental laws could impair our ability to develop new operations and have an adverse effect on our financial condition and results of operations.

Availability of Reports; Website Access; Other Information

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

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

Executive Officers of the Registrant

John P. Blanchard, age 44, has served as our Senior Vice President and President, Industrial & Specialty Products since July 2016, having served as Vice President and General Manager, Industrial & Specialty Products from September 2011 until July 2016. Mr. Blanchard possesses over 20 years’ experience in a variety of industries, including nonwovens, composites, building materials and pharmaceuticals. Prior to joining us, Mr. Blanchard held various positions of increasing responsibility with Johns Manville from 2005 to September 2011, including Global Business Director from December 2010 to September 2011 and Global Business Manager from February 2008 to December 2010. Mr. Blanchard earned a B.S. in Chemical Engineering from Michigan Technological University and an M.B.A. from the University of Michigan.

Bradford B. Casper, age 43, has served as an Executive Vice President since July 2016 and as our Chief Commercial Officer since May 2015. He served as our Vice President of Strategic Planning from May 2011 until his promotion to Chief Commercial Officer in May 2015. Before joining us, Mr. Casper was at Bain & Company, Inc., where he held various positions from 2002 to May 2011 in the United States, Australia and Hong Kong, most recently serving as a Principal from July 2010 to May 2011. Mr. Casper earned a B.S. in Accounting from the University of Illinois at Urbana-Champaign and an M.B.A. from the Wharton School at the University of Pennsylvania.

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Christine C. Marshall, age 56, has served as our Senior Vice President, Chief Legal Officer and Corporate Secretary since July 2016. Ms. Marshall joined us as our General Counsel and Corporate Secretary in November 2012. Prior to joining us, Ms. Marshall served as Vice President and General Counsel of the Security Technologies Sector of Ingersoll Rand Company from September 2010 to January 2012. From 2005 to 2010, Ms. Marshall held various positions of increasing responsibility with Tyco International, including General Counsel of Tyco Flow Control Americas from January 2008 to May 2010. Ms. Marshall earned a B.A. degree from Harvard University and a J.D. degree from Georgetown University School of Law.

Donald A. Merrill, age 53, has served as an Executive Vice President since July 2016 and as our Chief Financial Officer since January 2013. He had previously served as our Vice President of Finance from October 2012 until his appointment as Chief Financial Officer. Previously, Mr. Merrill had served as Senior Vice President and Chief Financial Officer of Myers Industries Inc. from January 2006 through August 2012. Prior to serving at Myers Industries, Mr. Merrill held the role of Vice President and Chief Financial Officer, Rubbermaid Home Products Division at Newell Rubbermaid Inc. from 2003 through 2005. Mr. Merrill has a B.S. in Accounting from Miami University.

David D. Murry, age 56, has served as a Senior Vice President since July 2016 and as our Chief Human Resources Officer since October 2011. He served as our Vice President of Talent Management from October 2011 until July 2016. Prior to joining us, Mr. Murry was the Director of Human Resources and Talent Management for Arkema, a diversified chemicals company, from October 2005 to October 2011. He has held positions of increasing leadership with Armstrong, Dell, and Alcoa. Mr. Murry earned a B.S. in Mining Engineering from Texas A&M University and a Master's of Science in Management from Antioch University.

Bryan A. Shinn, age 56, has served as our President since March 2011 and as our Chief Executive Officer and a member of the Board since January 2012. Prior to assuming this position, Mr. Shinn was our Senior Vice President of Sales and Marketing from October 2009 to February 2011. Before joining us, Mr. Shinn was employed by the E. I. du Pont de Nemours and Company from 1983 to September 2009, where he held a variety of key leadership roles in operations, sales, marketing and business management, including Global Business Director and Global Sales Director. Mr. Shinn earned a B.S. in Mechanical Engineering from the University of Delaware.

Billy Ray Smith, age 47, has served as a Senior Vice President and President, Oil & Gas since January 2018, having served as Vice President of Oil & Gas since joining us in March 2017. Before joining us, Mr. Smith had held various positions of increasing responsibility with Halliburton Company, a global energy services company, since 1995 including as North America Technology Director from October 2015 to March 2017, Director of North America Operations from September 2014 to October 2015, Global Technical Sales and Marketing Manager from April 2014 to September 2014 and Senior Business Development Manager of Halliburton Australia from May 2012 to April 2014. Mr. Smith earned his B.S. in Petroleum Engineering from Texas Tech University.

Michael L. Winkler, age 53, has served as an Executive Vice President since July 2016 and as our Chief Operating Officer since December 2013. He served as a Vice President from June 2011 until July 2016 and as our Vice President of Operations from June 2011 until December 2013. Before joining us, Mr. Winkler was Vice President of Operations for Campbell Soup Company from August 2007 to June 2011 and held various positions with Mars Inc. from 1996 to August 2007, including Plant Manager-Columbus Plant and Director of Industrial Engineering. Mr. Winkler earned a B.S. in Industrial Engineering from the University of Wisconsin-Platteville and an M.B.A. from the University of North Texas.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below and elsewhere in this Annual Report on Form 10-K. You should carefully consider the risk factors set forth below as well

as the other information contained in this Annual Report on Form 10-K in connection with evaluating us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, results of operations or financial condition. Certain statements in “Risk Factors” are forward-looking statements.

Risks Related to Our Business

The demand for commercial silica fluctuates, which could adversely affect our results of operations.

Demand in the end markets served by our customers is influenced by many factors, including the following:

- demand for oil, natural gas and petroleum products;

fluctuations in energy, fuel, oil and natural gas prices and the availability of such fuels;

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the use of alternative proppants, such as ceramic proppants, in the hydraulic fracturing process;
global and regional economic, political and military events and conditions;
changes in residential and commercial construction demands, driven in part by fluctuating interest rates and demographic shifts;
demand for automobiles and other vehicles;
the substitution of plastic or other materials for glass;
the use of recycled glass in glass production;
competition from offshore producers of glass products;
changes in demand for our products due to technological innovations, including the development and use of new processes for oil and gas production that do not require proppants;
changes in laws and regulations (or the interpretation thereof) related to the mining and hydraulic fracturing industries, silica dust exposure or the environment;
prices, availability and other factors relating to our products; and

increases in costs of labor and labor strikes.

We cannot predict or control the factors that affect demand for our products. Negative developments in the above factors, among others, could cause the demand for commercial silica or other minerals to decline, which could adversely affect our business, financial condition, results of operations, cash flows and prospects.

Our operations are subject to the cyclical nature of our customers' businesses, and we may not be able to mitigate that risk.

The substantial majority of our customers are engaged in industries that have historically been cyclical, such as glassmaking, building products, foundry and oil and natural gas recovery. During periods of economic slowdown, our customers often reduce their production and also reduce capital expenditures and defer or cancel pending projects. Such developments occur even among customers that are not experiencing financial difficulties.

Demand in many of the end markets for commercial silica is driven by the construction and automotive industries. For example, the flat glass market depends on the automotive and commercial and residential construction and remodeling markets. The market for commercial silica used to manufacture building products is driven primarily by demand in the construction markets. The demand for foundry silica depends on the rate of automobile, light truck and heavy equipment production as well as construction. The demand for frac sand is driven by demand for oil and natural gas. When oil and natural gas prices decrease, as they did throughout 2015 and into 2016, exploration and production companies may reduce their exploration, development, production and well completion activities. The reduced level of such activities could result in a corresponding decline in the demand for frac sand and an oversupply of frac sand. In periods where sources of supply of frac sand exceed market demand, market prices for frac sand may decline and our results of operations and cash flows may decline or be volatile or otherwise adversely affected. In addition, given that silica transportation represents one of our customers' largest costs, if, in response to economic pressures, our customers choose to move their production offshore, the increased logistics costs could reduce demand for our products. Continued weakness in the industries we serve has had, and may in the future have, an adverse effect on sales of our products and our results of operations. A continued or renewed economic downturn in one or more of the industries or geographic regions that we serve, or in the worldwide economy, could cause actual results of operations to differ materially from historical and expected results.

Our operations are subject to operating risks that are often beyond our control and could adversely affect production levels and costs, and such risks may not be covered by insurance.

Our mining, processing and production facilities are subject to risks normally encountered in the commercial silica industry. These risks include:

changes in the price and availability of transportation and transload network access;
changes in the price and availability of natural gas or electricity;
unusual or unexpected geological formations or pressures;
pit wall failures, underground roof falls or surface rock falls;
unanticipated ground, grade or water conditions;

inclement or hazardous weather conditions, including flooding, and the physical impacts of climate change;

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environmental hazards;

industrial accidents;

physical plant security breaches;

changes in laws and regulations (or the interpretation thereof) related to the mining and hydraulic fracturing industries, silica dust exposure or the environment;

nonperformance of contractual obligations;

inability to acquire or maintain necessary permits or mining or water rights;

restrictions on blasting operations;

inability to obtain necessary production equipment or replacement parts;

reduction in the amount of water available for silica production;

technical difficulties or key equipment failures;

labor disputes;

cybersecurity breaches;

late delivery of supplies;

fires, explosions or other accidents; and

facility shutdowns in response to environmental regulatory actions.

Any of these risks could result in damage to, or destruction of, our mining properties or production facilities, personal injury, environmental damage, delays in mining or processing, losses or possible legal liability. Any prolonged downtime or shutdowns at our mining properties or production facilities could have a material adverse effect on us. Not all of these risks are reasonably insurable, and our insurance coverage contains limits, deductibles, exclusions and endorsements. Our insurance coverage may not be sufficient to meet our needs in the event of loss and any such loss may have a material adverse effect on us.

A significant portion of our sales is generated at five of our plants. Any adverse developments at any of those plants or in the end markets those plants serve could have a material adverse effect on our financial condition and results of operations.

A significant portion of our sales are generated at our plants located in Ottawa, Illinois; Mill Creek, Oklahoma; Utica, Illinois; Sparta, Wisconsin; and Tyler, Texas. These plants represented a combined 51%, 51%, and 62% of our total revenue in 2017, 2016 and 2015, respectively. Any adverse development at these plants or in the end markets these plants serve, including adverse developments due to catastrophic events or weather, decreased demand for commercial silica products, a decrease in the availability of transportation services or adverse developments affecting our customers, could have a material adverse effect on our financial condition and results of operations.

Our business and financial performance depend on the level of activity in the oil and natural gas industries.

Our operations that produce frac sand are materially dependent on the levels of activity in natural gas and oil exploration, development and production. More specifically, the demand for the frac sand we produce is closely related to the number of natural gas and oil wells completed in geological formations where sand-based proppants are used in fracture treatments. These activity levels are affected by both short- and long-term trends in natural gas and oil prices. In recent years, natural gas and oil prices and, therefore, the level of exploration, development and production activity, have experienced significant fluctuations. Worldwide economic, political and military events, including war, terrorist activity, events in the Middle East and initiatives by the Organization of the Petroleum Exporting Countries (“OPEC”), have contributed, and are likely to continue to contribute, to price volatility. Additionally, warmer than normal winters in North America and other weather patterns may adversely impact the short-term demand for natural gas and, therefore, demand for our products. Reduction in demand for natural gas to generate electricity could also adversely impact the demand for frac sand. A prolonged reduction in natural gas and oil prices would generally depress the level of natural gas and oil exploration, development, production and well completion activity and result in a corresponding decline in the demand for the frac sand we produce. Such a decline could result in us selling fewer tons of frac sand at lower prices or selling lower priced products, which would have a material adverse effect on our results of operations and financial condition. When demand for frac sand increases, there may not be a corresponding increase in the prices for our products or our customers may not switch back to higher priced products, which could

have a material adverse effect on our results of operations and financial condition. In addition, any future decreases in the rate at which oil and natural gas reserves are discovered or developed, whether due to increased governmental regulation, limitations on exploration and

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drilling activity or other factors, could have a material adverse effect on our business, even in a stronger natural gas and oil price environment.

We may be adversely affected by decreased demand for frac sand or the development of either effective alternative proppants or new processes to replace hydraulic fracturing.

Frac sand is a proppant used in the completion and re-completion of natural gas and oil wells through hydraulic fracturing. Frac sand is the most commonly used proppant and is less expensive than ceramic proppant, which is also used in hydraulic fracturing to stimulate and maintain oil and natural gas production. A significant shift in demand from frac sand to other proppants, such as ceramic proppants, could have a material adverse effect on our financial condition and results of operations. The development and use of other effective alternative proppants, or the development of new processes to replace hydraulic fracturing altogether, could also cause a decline in demand for the frac sand we produce and could have a material adverse effect on our financial condition and results of operations.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related regulatory action or litigation could result in increased costs and additional operating restrictions or delays for our customers, which could negatively impact our business, financial condition and results of operations.

A significant portion of our business supplies frac sand to hydraulic fracturing operators in the oil and natural gas industry. Although we do not directly engage in hydraulic fracturing activities, our customers purchase our frac sand for use in their hydraulic fracturing operations. Increased regulation of hydraulic fracturing may adversely impact our business, financial condition and results of operations.

The federal Safe Drinking Water Act (the "SDWA") regulates the underground injection of substances through the Underground Injection Control Program (the "UIC Program"). Hydraulic fracturing generally has been exempt from federal regulation under the UIC Program, and the hydraulic fracturing process has been typically regulated by state or local governmental authorities. The EPA, however, has taken the position that certain aspects of hydraulic fracturing with fluids containing diesel fuel may be subject to regulation under the UIC Program, specifically as "Class II" UIC wells. In February 2014, the EPA released an interpretive memorandum to clarify UIC Program requirements under the SDWA for underground injection of diesel fuels in hydraulic fracturing for oil and gas extraction and issued technical guidance containing recommendations for EPA permit writers to consider in implementing these UIC "Class II" requirements. Among other things, the memorandum and technical guidance clarified that any owner or operator who injects diesel fuels in hydraulic fracturing for oil or gas extraction must obtain a UIC "Class II" permit before injection.

The EPA also issued final rules in 2012 that included the first federal air standards for natural gas and oil wells that are hydraulically fractured, along with other requirements for several other sources of pollution in the oil and gas industry that had not been regulated at the federal level. Building on the 2012 rules, the EPA announced in May 2016 additional regulations to reduce methane and smog-forming emissions from new, modified or reconstructed sources in the oil and natural gas industry. In June 2017, the EPA issued two proposals to stay certain of these requirements and reconsider the entirety of the 2016 rules; however, the rules currently remain in effect.

In May 2016, the EPA also finalized rules regarding criteria for aggregating multiple small surface sites into a single source for air-quality permitting purposes applicable to the oil and natural gas industry.

In addition, the EPA published in May 2014 an advance notice of proposed rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. In June 2016, the EPA finalized effluent limit guidelines that waste water from shale resource extraction operations must meet before discharging to publicly owned wastewater treatment plants. Subsequently, compliance dates for certain sources have been extended by the EPA..

In March 2015, the federal Bureau of Land Management ("BLM") published a final rule that established new or more stringent standards for hydraulic fracturing on federal and Indian land. After several rounds of litigation, BLM rescinded this rule in December 2017; however, the rescission is currently being challenged in court. BLM also issued final rules to reduce methane emissions from venting, flaring, and leaks during oil and gas operations on public lands in November 2016; however, in December 2017, BLM postponed compliance requirements for certain provisions of the 2016 methane venting rule. BLM's December 2017 delay decision is also currently being challenged in court.

In addition, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, a committee of the U.S. House of Representatives (the “House”) conducted an investigation of hydraulic fracturing practices and a subcommittee of the Secretary of Energy Advisory Board (the “SEAB”) of the U.S. Department of Energy was tasked with recommending steps to improve the safety and environmental performance of hydraulic fracturing. As part of these studies, the EPA, the House committee and the SEAB subcommittee requested that certain companies provide them with information concerning the chemicals used in the hydraulic fracturing process. These studies could potentially spur initiatives to further regulate hydraulic fracturing under the SDWA or otherwise. In December 2016, the EPA issued a final assessment of the

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potential environmental effects of hydraulic fracturing on drinking water and groundwater that found hydraulic fracturing may in some cases result in impacts to drinking water resources. Additionally, from time to time, legislation is introduced before the U.S. Congress to provide for federal regulation of hydraulic fracturing under the SDWA and to require disclosure of the chemicals used in the hydraulic fracturing process. If this or similar legislation becomes law, the legislation could establish an additional level of federal regulation that may lead to additional permitting requirements or other operating restrictions, making it more difficult to complete natural gas and oil wells in shale formations. This could increase our customers' costs of compliance and doing business or otherwise adversely affect the hydraulic fracturing services they perform, which may negatively impact demand for our frac sand products. In addition, various state, local and foreign governments have implemented, or are considering, increased regulatory oversight of hydraulic fracturing through additional permitting requirements, operational restrictions, disclosure requirements and temporary or permanent bans on hydraulic fracturing. A number of local municipalities across the United States have instituted measures resulting in temporary or permanent bans on or otherwise limiting or delaying hydraulic fracturing in their jurisdictions. Such moratoriums and bans could make it more difficult to conduct hydraulic fracturing operations and increase our customers' cost of doing business, which could negatively impact demand for our frac sand products. A number of states have also enacted legislation or issued regulations which impose various disclosure requirements on hydraulic fracturing operators. The availability of information regarding the constituents of hydraulic fracturing fluids could make it easier for third parties opposing the hydraulic fracturing process to initiate individual or class action legal proceedings based on allegations that specific chemicals used in the hydraulic fracturing process could adversely affect groundwater and drinking water supplies or otherwise cause harm to human health or the environment. Moreover, disclosure to third parties or to the public, even if inadvertent, of our customers' proprietary chemical formulas could diminish the value of those formulas and result in competitive harm to our customers, which could indirectly impact our business, financial condition and results of operations.

The adoption of new laws or regulations at the federal, state, local or foreign levels imposing reporting obligations on, or otherwise limiting or delaying, the hydraulic fracturing process could make it more difficult to complete natural gas and oil wells in shale formations, increase our customers' costs of compliance and doing business and otherwise adversely affect the hydraulic fracturing services they perform, which could negatively impact demand for our frac sand products. In addition, heightened political, regulatory and public scrutiny of hydraulic fracturing practices could potentially expose us or our customers to increased legal and regulatory proceedings, and any such proceedings could be time-consuming, costly or result in substantial legal liability or significant reputational harm. Any such developments could have a material adverse effect on our business, financial condition and results of operations, whether directly or indirectly. For example, we could be directly affected by adverse litigation involving us, or indirectly affected if the cost of compliance limits the ability of our customers to operate in the geographic areas we serve.

Our operations are dependent on our rights and ability to mine our properties and on our having renewed or received the required permits and approvals from governmental authorities and other third parties.

We hold numerous governmental, environmental, mining and other permits, water rights and approvals authorizing operations at each of our facilities. A decision by a governmental agency or other third party to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations at the affected facility. Expansion of our existing operations is also predicated on securing the necessary environmental or other permits, water rights or approvals, which we may not receive in a timely manner or at all. In addition, our facilities are located near existing and proposed third-party industrial operations that could affect our ability to fully extract, or the manner in which we extract, the mineral deposits to which we have mining rights.

Title to, and the area of, mineral properties and water rights may also be disputed. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that we do not have title to one or more of our properties or lack appropriate water rights could cause us to lose any rights to explore, develop and extract any minerals on that property, without compensation for our prior expenditures relating to such property. Our business may suffer a material adverse effect in the event one or more of our properties are determined to have title

deficiencies.

In some instances, we have received access rights or easements from third parties, which allow for a more efficient operation than would exist without the access or easement. A third party could take action to suspend the access or easement, and any such action could be materially adverse to our results of operations or financial condition.

We may not be able to successfully implement capacity expansion plans within our projected timetable, the actual costs of any capacity expansion may exceed our estimated costs and we may not be able to secure demand for the incremental production capacity. In addition, actual operating costs once we have completed the capacity expansion may be higher than anticipated.

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We undertake projects from time to time to expand our production capacity. The completion of these projects may be affected by market conditions and demand for our products. In addition, under our current business plan, we expect to fund any expansion plans through a combination of cash on our balance sheet and cash generated from our operating and financing activities. If the assumptions on which we base our estimated capital expenditures change or are inaccurate, we may require additional funding. Such funding may not be available on terms acceptable to us, or at all. Moreover, actual operating costs once we have completed a capacity expansion may be higher than initially anticipated. We also may not secure off-take commitments for the incremental production from our capacity expansion plans, and we may not be able to secure adequate demand for the incremental production. Furthermore, substantial investments in transportation infrastructure may be required to effectively execute the capacity expansion, and we may not be successful in expanding our logistical capabilities to accommodate the additional production capacity.

Any failure to successfully implement any capacity expansion plans due to an inability to obtain necessary permits, insufficient funding, delays, unanticipated costs, adverse market conditions or other factors, or failure to realize the anticipated benefits of our capacity expansion plans, including securing demand for the incremental production, could have a material adverse effect on our business, financial condition and results of operations.

Our future performance will depend on our ability to succeed in competitive markets, and on our ability to appropriately react to potential fluctuations in demand for and supply of our products.

We operate in a highly competitive market that is characterized by a small number of large, national producers and a larger number of small, regional or local producers. Competition in the industry is based on price, consistency and quality of product, site location, distribution capability, customer service, reliability of supply, breadth of product offering and technical support. As transportation costs are a significant portion of the total cost to customers of commercial silica-in many instances transportation costs can represent more than 50% of delivered cost-the commercial silica market is typically local, and competition from beyond the local area is limited. Notable exceptions to this are the frac sand and fillers and extenders markets, where certain product characteristics are not available in all deposits and not all plants have the requisite processing capabilities, necessitating that some products be shipped for extended distances.

We compete with national producers such as Fairmount Santrol Holdings Inc., Unimin Corporation, Hi-Crush Partners LP and Emerge Energy Services LP. Our competitors may have greater financial and other resources than we do, may develop technology superior to ours or may have production facilities that are located closer to key customers than ours.

Because the markets for our products are typically local, we also compete with smaller, regional or local producers. There typically is an increasing number of small producers servicing the frac sand market when there is increased demand for hydraulic fracturing services. If demand for hydraulic fracturing services decreases and the supply of frac sand available in the market increases, prices in the frac sand market could continue to materially decrease as less-efficient producers exit the market, selling frac sand at below market prices. Furthermore, our competitors may choose to consolidate, which could provide them with greater financial and other resources than us and negatively impact demand for our frac sand products. In addition, oil and natural gas exploration and production companies and other providers of hydraulic fracturing services could acquire their own frac sand reserves, expand their existing frac sand production capacity or otherwise fulfill their own proppant requirements and existing or new frac sand producers could add to or expand their frac sand production capacity, which would negatively impact demand for our frac sand products. We may not be able to compete successfully against either our larger or smaller competitors in the future, and competition could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

If our customers delay or fail to pay a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, consolidated results of operations, and financial condition.

We bill our customers for our products in arrears and are, therefore, subject to our customers delaying or failing to pay our invoices. In weak economic environments, we may experience increased delays or failures due to, among other reasons, a reduction in our customers' cash flow from operations and their access to the credit markets. If our

customers delay or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, consolidated results of operations, and financial condition.

Some of our customers may experience financial difficulties, including insolvency. If a customer cannot provide us with reasonable assurance of payment, we will fully reserve the outstanding accounts receivable balance for the customer and only recognize revenue when we collect payment for our products shipped, assuming all other criteria for revenue recognition have been met. Although we will continue to try to obtain payments from these customers, it is likely that one or more of these customers will not pay us for our products. With respect to customers that are in bankruptcy proceedings, we similarly 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.

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A large portion of our sales is generated by our top ten customers, and the loss of, or a significant reduction in purchases by our largest customers could adversely affect our operations.

Our top ten customers made up 58%, 52%, and 56% of our total sales revenue during the years ended December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017, we had 23 long-term, competitively-bid minimum purchase supply agreements with 19 customers in the oil and gas proppants end market, six of which were among our top ten overall customers. These agreements have initial terms expiring between 2018 and 2022. While some of our largest customers have entered into supply agreements with us, these customers may not continue to purchase the same levels of our commercial silica products in the future due to a variety of reasons, contract requirements notwithstanding. For example, some of our top customers could go out of business or, alternatively, be acquired by other companies that purchase the same products and services provided by us from other third-party providers. Our customers could also seek to capture and develop their own sources of commercial silica. If any of our major customers substantially reduces or altogether ceases purchasing our commercial silica products, depending on market conditions, we could suffer a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

In addition, the long-term minimum purchase supply agreements may negatively impact our results of operations.

Some of our long-term agreements are for sales at fixed prices that are adjusted only for certain cost increases. As a result, in periods with increasing prices, our sales could grow at a slower rate than industry spot prices.

Increasing costs, a lack of dependability or availability of transportation services, transload network access or infrastructure or an oversupply of transportation services could have a material adverse effect on our business.

Because of the relatively low cost of producing commercial silica, transportation and related costs including freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs and storage fees, tend to be a significant component of the total delivered cost of sales. The high relative cost of transportation related expense tends to favor manufacturers located in close proximity to the customer. In addition, when we expand our commercial silica production, we need increased transportation services and transload network access. We contract with truck, rail and barge services to move commercial silica from our production facilities to transload sites and our customers, and increased costs under these contracts could adversely affect our results of operations. In addition, we bear the risk of non-delivery under our contracts. Labor disputes, derailments, adverse weather conditions or other environmental events, an increasingly tight railcar leasing market and changes to rail freight systems could interrupt or limit available transportation services. A significant increase in transportation service rates, a reduction in the dependability or availability of transportation or transload services, or relocation of our customers' businesses to areas farther from our plants or transloads could impair our ability to deliver our products economically to our customers and to expand our markets. Further, reduced demand for commercial silica could result in railcar over-capacity, requiring us to pay railcar storage fees while, at the same time, continuing to incur lease costs for those railcars in storage, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Seasonal and severe weather conditions could have a material adverse impact on our business.

Our business could be materially adversely affected by weather conditions. Severe weather conditions may affect our customers' operations, thus reducing their need for our products. Weather conditions may impact our operations, resulting in weather-related damage to our facilities and equipment or an inability to deliver equipment, personnel and products to job sites in accordance with contract schedules. In addition, climate change may lead to the increased frequency and severity of extreme weather events. Any such interference with our operations could force us to delay or curtail services and potentially breach our contractual obligations or result in a loss of productivity and an increase in our operating costs.

Our production process consumes large amounts of natural gas and electricity. An increase in the price or a significant interruption in the supply of these or any other energy sources could have a material adverse effect on our financial condition or results of operations.

Energy costs, primarily natural gas and electricity, represented approximately 3% of our total sales in 2017. Natural gas is the primary fuel source used for drying in the commercial silica production process and, as such, our profitability is impacted by the price and availability of natural gas we purchase from third parties. The price and

supply of natural gas are unpredictable and can fluctuate significantly based on international, political and economic circumstances, as well as other events outside our control, such as changes in supply and demand due to weather conditions, actions by OPEC and other oil and natural gas producers, regional production patterns and environmental concerns. In addition, potential climate change regulations or carbon or emissions taxes could result in higher production costs for energy, which may be passed on to us in whole or in part. In the past, the price of natural gas has been extremely volatile, and we believe this volatility may continue. In order to manage this risk, we may hedge natural gas prices through the use of derivative financial instruments, such as forwards, swaps and futures. However, these measures carry risk (including nonperformance by counterparties) and do not in any event entirely eliminate

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the risk of decreased margins as a result of natural gas price increases. A significant increase in the price of energy that is not recovered through an increase in the price of our products or covered through our hedging arrangements or an extended interruption in the supply of natural gas or electricity to our production facilities could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Increases in the price of diesel fuel may adversely affect our results of operations.

Diesel fuel costs generally fluctuate with increasing and decreasing world crude oil prices, and accordingly are subject to political, economic and market factors that are outside of our control. Our operations are dependent on earthmoving equipment, railcars and tractor trailers, and diesel fuel costs are a significant component of the operating expense of these vehicles. We use earthmoving equipment in our mining operations, and we ship the vast majority of our products by either railcar or tractor trailer. To the extent that we perform these services with equipment that we own, we are responsible for buying and supplying the diesel fuel needed to operate these vehicles. To the extent that these services are provided by independent contractors, we may be subject to fuel surcharges that attempt to recoup increased diesel fuel expenses. To the extent we are unable to pass along increased diesel fuel costs to our customers, our results of operations could be adversely affected.

Diminished access to water may adversely affect our operations.

The mining and processing activities in which we engage at a number of our facilities require significant amounts of water, and some of our facilities are located in areas that are water-constrained. We have obtained water rights that we currently use to service the activities on our various properties, and we plan to obtain all required water rights to service other properties we may develop or acquire in the future. However, the amount of water that we are entitled to use pursuant to our water rights must be determined by the appropriate regulatory authorities in the jurisdictions in which we operate. Such regulatory authorities may amend the regulations regarding such water rights, increase the cost of maintaining such water rights or eliminate our current water rights, and we may be unable to retain all or a portion of such water rights. These new regulations, which could also affect local municipalities and other industrial operations, could have a material adverse effect on our operating costs and effectiveness if implemented. Such changes in laws, regulations or government policy and related interpretations pertaining to water rights may alter the environment in which we do business, which may negatively affect our financial condition and results of operations. If we cannot successfully complete acquisitions or integrate acquired businesses, our growth may be limited and our financial condition may be adversely affected.

Our business strategy includes supplementing internal growth by pursuing acquisitions of complementary businesses. Any acquisition involves potential risks, including, among other things:

- the validity of our assumptions about mineral reserves, future production, sales, capital expenditures, operating expenses and costs, including synergies;
 - an inability to successfully integrate the businesses we acquire;
 - the use of a significant portion of our available cash or borrowing capacity to finance acquisitions and the subsequent decrease in our liquidity;
 - a significant increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions;
 - the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate;
 - the diversion of management's attention from other business concerns;
 - an inability to hire, train or retain qualified personnel both to manage and to operate our growing business and assets;
 - the incurrence of other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges;
 - unforeseen difficulties encountered in operating in new geographic areas;
 - customer or key employee losses at the acquired businesses; and
- the accuracy of data obtained from production reports and engineering studies, geophysical and geological analyses and other information used when deciding to acquire a property, the results of which are often inconclusive and subject to various interpretations.

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If we cannot successfully complete acquisitions or integrate acquired businesses, our growth may be limited and our financial condition may be adversely affected.

We will be required to make substantial capital expenditures to maintain, develop and increase our asset base. The inability to obtain needed capital or financing on satisfactory terms, or at all, could have an adverse effect on our growth and profitability.

Although we currently use a significant amount of our cash reserves and cash generated from our operations to fund the maintenance and development of our existing mineral reserves and our acquisitions of new mineral reserves, we may depend on the availability of credit to fund future capital expenditures. Our ability to obtain bank financing or to access the capital markets for future equity or debt offerings may be limited by our financial condition at the time of any such financing or offering, the covenants contained in our existing credit facilities or future debt agreements, adverse market conditions or other contingencies and uncertainties that are beyond our control. Our failure to obtain the funds necessary to maintain, develop and increase our asset base could adversely impact our growth and profitability.

Even if we are able to obtain financing or access the capital markets, incurring additional debt may significantly increase our interest expense and financial leverage, and our level of indebtedness could restrict our ability to fund future development and acquisition activities. In addition, the issuance of additional common stock in an equity offering may result in significant stockholder dilution.

Our substantial indebtedness and pension obligations could adversely affect our financial flexibility and our competitive position.

We have, and we will continue to have, a significant amount of indebtedness. As of December 31, 2017, we had \$511.2 million of outstanding indebtedness. Under our senior secured credit facility, as of December 31, 2017, we had a \$50.0 million line-of-credit, of which \$4.5 million is being used for outstanding letters of credit, leaving \$45.5 million of borrowing availability. Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. We also have, and will continue to have, significant pension obligations. As of December 31, 2017, our unfunded pension obligations totaled \$30.0 million. Our substantial indebtedness and pension obligations could have other important consequences to you and significant effects on our business. For example, they could:

- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness and pension obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from exploiting business opportunities;
- make it more difficult to satisfy our financial obligations, including payments on our indebtedness;
- place us at a disadvantage compared to our competitors that have less debt and pension obligations; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

Our senior secured credit facility contains certain restrictions and financial covenants that may restrict our business and financing activities

Our existing senior secured credit facility contains, and any future financing agreements that we may enter into will likely contain, operating and financial restrictions and covenants that may restrict our ability to finance future operations or capital needs or to engage in, expand or pursue our business activities.

Our ability to comply with these restrictions and covenants is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any of the restrictions, covenants, ratios or tests in our senior secured credit facility, a significant portion of our indebtedness may become immediately due and payable and our lenders' commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, our obligations under our

senior secured credit facility are secured by substantially all of our assets, and if we are unable to repay our indebtedness under our senior secured credit facility, the lenders could seek to foreclose on our assets.

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We may incur substantial debt in the future to enable us to maintain or increase our production levels and to otherwise pursue our business plan. This debt may impair our ability to operate our business.

Our business plan requires a significant amount of capital expenditures to maintain and grow our production levels. If commercial silica prices were to decline for an extended period of time, if the costs of our acquisition and development operations were to increase substantially or if other events were to occur which reduced our sales or increased our costs, we may be required to borrow significant amounts in the future to enable us to finance the expenditures necessary to replace the reserves we produce. The cost of the borrowings and our obligations to repay the borrowings could have important consequences to us, including:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms, or at all;

- covenants contained in our existing and future credit and debt arrangements will require us to meet financial tests that may affect our flexibility in planning for, and reacting to, changes in our business, including possible acquisition opportunities;

- we will need a substantial portion of our cash flow to make principal and interest payments on our indebtedness and to improve the funded status of our defined benefit pension plan, reducing the funds that would otherwise be available for operations and future business opportunities; and

- our debt level will make us more vulnerable than our less leveraged competitors to competitive pressures or a downturn in our business or the economy generally.

Our ability to service our indebtedness will depend on, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying business activities, acquisitions, investments and/or capital expenditures; selling assets; restructuring or refinancing our indebtedness; or seeking additional equity capital or bankruptcy protection. We may not be able to affect any of these remedies on satisfactory terms or at all.

Certain of our contracts contain provisions requiring us to deliver minimum amounts of frac sand or purchase minimum amounts of services. Noncompliance with these contractual obligations may result in penalties or termination of the agreement.

In certain instances, we commit to deliver products or purchase services, under penalty of nonperformance. Our inability to meet the minimum contract requirements may permit the counterparty to terminate the agreements or require us to pay a fee. The amount of the fee would be based on the difference between the minimum amount contracted for and the amount delivered or purchased. In such events, our business, financial condition and results of operations may be materially adversely affected.

Inaccuracies in our estimates of mineral reserves and resource deposits could result in lower than expected sales and higher than expected costs.

We base our mineral reserve and resource estimates on engineering, economic and geological data assembled and analyzed by our mining engineers, which are reviewed periodically by outside firms. However, commercial silica reserve estimates are necessarily imprecise and depend to some extent on statistical inferences drawn from available drilling data, which may prove unreliable. There are numerous uncertainties inherent in estimating quantities and qualities of commercial silica reserves and non-reserve commercial silica deposits and costs to mine recoverable reserves, including many factors beyond our control. Estimates of economically recoverable commercial silica reserves necessarily depend on a number of factors and assumptions, all of which may vary considerably from actual results, such as:

- geological and mining conditions and/or effects from prior mining that may not be fully identified by available data or that may differ from experience;

- assumptions concerning future prices of commercial silica products, operating costs, mining technology improvements, development costs and reclamation costs; and

- assumptions concerning future effects of regulation, including the issuance of required permits and taxes by governmental agencies.

Any inaccuracy in our estimates related to our mineral reserves and non-reserve mineral deposits could result in lower than expected sales and higher than expected costs.

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A shortage of skilled labor together with rising labor costs in the mining industry may further increase operating costs, which could adversely affect our results of operations.

Efficient mining using modern techniques and equipment requires skilled laborers, preferably with several years of experience and proficiency in multiple mining tasks, including processing of mined minerals. If the shortage of experienced labor continues or worsens or if we are unable to train the necessary number of skilled laborers, there could be an adverse impact on our labor productivity and costs and our ability to grow our business may be limited. Our business may suffer if we lose, or are unable to attract and retain, key personnel.

We depend to a large extent on the services of our senior management team and other key personnel. Members of our senior management and other key employees have extensive experience and expertise in evaluating and analyzing industrial mineral properties, maximizing production from such properties, marketing industrial mineral production and developing and executing financing and hedging strategies. Competition for management and key personnel is intense, and the pool of qualified candidates is limited. The loss of any of these individuals or the failure to attract additional personnel, as needed, could have a material adverse effect on our operations and could lead to higher labor costs or the use of less-qualified personnel. In addition, if any of our executives or other key employees were to join a competitor or form a competing company, we could lose customers, suppliers, know-how and key personnel. We do not maintain key-man life insurance with respect to any of our employees. Our success will be dependent on our ability to continue to attract, employ and retain highly skilled personnel.

Difficulty in truckload driver and independent contractor recruitment and retention may have a materially adverse effect on our business.

With respect to our trucking services, difficulty in attracting or retaining qualified drivers and independent contractors could have a materially adverse effect on our growth and profitability. The truckload transportation industry periodically experiences a shortage of qualified drivers, particularly during periods of economic expansion, in which alternative employment opportunities are more plentiful and freight demand increases, or during periods of economic downturns, in which unemployment benefits might be extended and financing is limited for independent contractors who seek to purchase equipment or for students who seek financial aid for driving school. Our independent contractors are responsible for paying for their own equipment, fuel, and other operating costs, and significant increases in these costs could cause them to seek higher compensation from us or seek other opportunities within or outside the trucking industry. The trucking industry suffers from a high driver turnover rate, which requires us to continually recruit a substantial number of drivers to operate our equipment. If we were unable to attract qualified drivers and contract with independent contractors, we could be forced to, among other things, limit our growth, decrease the number of our tractors in service, adjust our driver compensation package or independent contractor compensation, or pay higher rates to third-party truckload carriers, which could adversely affect our profitability and results of operations if not offset by a corresponding increase in customer rates.

Our profitability could be negatively affected if we fail to maintain satisfactory labor relations.

As of December 31, 2017, various labor unions represented approximately 22% of our employees. If we are unable to renegotiate acceptable collective bargaining agreements with these labor unions in the future, we could experience, among other things, strikes, work stoppages or other slowdowns by our workers and increased operating costs as a result of higher wages, health care costs or benefits paid to our employees. An inability to maintain good relations with our workforce could cause a material adverse effect on our business and results of operations.

We rely upon patents, trade secrets and contractual restrictions to protect our proprietary rights. Failure to protect our intellectual property rights may undermine our competitive position, and protecting our rights or defending against third-party allegations of infringement may be costly.

Our commercial success depends on our proprietary information and technologies, know-how and other intellectual property. Because of the technical nature of our business, we rely primarily on patents, trade secrets, trademarks and contractual restrictions to protect our intellectual property rights. The measures we take to protect our patents, trade secrets and other intellectual property rights may be insufficient. Failure to protect, monitor and control the use of our existing intellectual property rights could cause us to lose our competitive advantage and incur significant expenses. It is possible that our competitors or others could independently develop the same or similar technologies or otherwise obtain access to our unpatented technologies. In such case, our patents and trade secrets would not prevent third

parties from competing with us. As a result, our results of operations may be adversely affected. Furthermore, third parties or employees may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could also harm our business and results of operations. Policing unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available.

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In addition, third parties may claim that our products infringe or otherwise violate their patents or other proprietary rights and seek corresponding damages or injunctive relief. Defending ourselves against such claims, with or without merit, could be time-consuming and result in costly litigation. An adverse outcome in any such litigation could subject us to significant liability to third parties (potentially including treble damages) or temporary or permanent injunctions prohibiting the manufacture or sale of our products, the use of our technologies or the conduct of our business. Any adverse outcome could also require us to seek licenses from third parties (which may not be available on acceptable terms, or at all) or to make substantial one-time or ongoing royalty payments. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation. In addition, we may not have insurance coverage in connection with such litigation and may have to bear all costs arising from any such litigation to the extent we are unable to recover them from other parties. Any of these outcomes could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

We may have to utilize significant cash to meet our unfunded pension obligations and post-retirement health care liabilities and these obligations are subject to increase.

Many of our employees participate in our defined benefit pension plans. In 2017, we made no contribution payments toward reducing the unfunded liability of our defined benefit pension plans. Declines in interest rates or the market values of the securities held by the plans, or other adverse changes, could materially increase the underfunded status of our plans and affect the level and timing of required cash contributions. To the extent we use cash to reduce these unfunded liabilities, the amount of cash available for our working capital needs would be reduced. In addition, under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), the Pension Benefit Guaranty Corporation (“PBGC”) has the authority to institute proceedings to terminate a pension plan if (1) the plan has not met the minimum funding requirements, (2) the plan cannot pay current benefits when due, (3) a lump sum payment has been made to a participant who is a substantial owner of the sponsoring company (and certain other technical conditions exist) or (4) the loss to the PBGC is reasonably expected to increase unreasonably over time if the plan is not terminated. In the event our tax-qualified pension plans are terminated by the PBGC, we could be liable to the PBGC for the underfunded amount, which could trigger default provisions in our credit facilities. As of December 31, 2017, our pension obligation was \$122.1 million (with plan assets of \$92.1 million). The amount of cash ultimately required to fund these obligations will vary based on a number of factors including future return on assets, mortality rates and other such actuarial assumptions. Based on current assumptions, we expect to pay \$7.2 million in the year 2018, a total of \$14.7 million for the two-year period from 2019 through 2020, a total of \$15.0 million for the two-year period from 2021 through 2022 and a total of \$38.0 million thereafter.

We also have a post-retirement health and life insurance plan for many of our employees. The post-retirement benefit plan is unfunded. We derive post-retirement benefit expense from an actuarial calculation based on the provisions of the plan and a number of assumptions provided by us including information about employee demographics, retirement age, future health care costs, turnover, mortality, discount rate, amount and timing of claims and a health care inflation trend rate. We previously maintained a Voluntary Employees’ Beneficiary Association trust that was used to partially fund health care benefits for future retirees. Benefits were funded to the extent contributions were tax deductible, which under current legislation is limited. In 2017, the trust terminated upon depletion of its assets, which were used in accordance with trust terms. In general, retiree health benefits are paid as covered expenses are incurred. Our post-retirement healthcare obligations were \$22.8 million as of December 31, 2017. Based on current assumptions, we expect to pay \$1.4 million in the year 2018, a total of \$2.7 million for the two-year period from 2019 through 2020, a total of \$2.9 million for the two-year period from 2021 through 2022 and a total of \$7.2 million thereafter. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations.”

Failure to maintain effective quality control systems at our mining, processing and production facilities could have a material adverse effect on our business and operations.

The performance, quality and safety of our products are critical to the success of our business. These factors depend significantly on the effectiveness of our quality control systems, which, in turn, depends on a number of factors, including the design of our quality control systems, our quality-training program and our ability to ensure that our

employees adhere to the quality control policies and guidelines. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our business, financial condition, results of operations and reputation.

Our sales and profitability fluctuate on a seasonal basis and are affected by a variety of other factors.

Our sales and profitability are affected by a variety of factors, including actions of competitors, changes in general economic conditions, weather conditions and seasonal periods. As a result, our results of operations may fluctuate on a quarterly basis and relative to corresponding periods in prior years, and any of these factors could adversely affect our business

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and cause our results of operations to decline. For example, we sell more of our products in the second and third quarters in the building products and recreation end markets due to the seasonal rise in construction driven by more favorable weather conditions. We sell fewer of our products in the first and fourth quarters due to reduced construction and recreational activity largely as a result of adverse weather conditions. Any unanticipated decrease in demand for our products during the second and third quarters could have a material adverse effect on our sales and profitability.

We may be subject to interruptions or failures in our information technology systems.

We rely on our information technology systems to process transactions, summarize our operating results and manage our business. Our information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber attack or other security breaches, catastrophic events, such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our information technology systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations.

We may be the target of attempted cyber attacks, computer viruses, malicious code, phishing attacks, denial of service attacks and other information security threats. To date, cyber attacks have not had a material impact on our financial condition, results or business; however, we could suffer material financial or other losses in the future and we are not able to predict the severity of these attacks. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the current global economic and political environment, our prominent size and scale and our role in the financial services industry, the outsourcing of some of our business operations, the ongoing shortage of qualified cyber security professionals, and the interconnectivity and interdependence of third parties to our systems. The occurrence of a cyber attack, breach, unauthorized access, misuse, computer virus or other malicious code or other cyber security event could jeopardize or result in the unauthorized disclosure, gathering, monitoring, misuse, corruption, loss or destruction of confidential and other information that belongs to us, our customers, our counterparties, third-party service providers or borrowers that is processed and stored in, and transmitted through, our computer systems and networks. The occurrence of such an event could also result in damage to our software, computers or systems, or otherwise cause interruptions or malfunctions in our, our customers', our counterparties' or third parties' operations. This could result in significant losses, loss of customers and business opportunities, reputational damage, litigation, regulatory fines, penalties or intervention, reimbursement or other compensatory costs, or otherwise adversely affect our business, financial condition or results of operations. The reliability and capacity of our information technology systems is critical to our operations and the implementation of our growth initiatives. Any material disruption in our information technology systems, or delays or difficulties in implementing or integrating new systems or enhancing current systems, could have an adverse effect on our business, and results of operations.

A terrorist attack or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States could adversely affect the U.S. and global economies and could prevent us from meeting financial and other obligations. We could experience loss of business, delays or defaults in payments from payors or disruptions of fuel supplies and markets if pipelines, production facilities, processing plants or refineries are direct targets or indirect casualties of an act of terror or war. Such activities could reduce the overall demand for oil and natural gas, which, in turn, could also reduce the demand for our products and services. Terrorist activities and the threat of potential terrorist activities and any resulting economic downturn could adversely affect our results of operations, impair our ability to raise capital or otherwise adversely impact our ability to realize certain business strategies.

Risks Related to Environmental, Mining and Other Regulation

We and our customers are subject to extensive environmental and health and safety regulations which impose, and will continue to impose, significant costs and liabilities. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect our results of operations.

We are subject to a variety of federal, state and local regulatory environmental requirements affecting the mining and mineral processing industry, including among others, those relating to employee health and safety, environmental permitting and licensing, air and water emissions, greenhouse gas emissions, water pollution, waste management, remediation of soil and groundwater contamination, land use, reclamation and restoration of properties, hazardous materials and natural resources. These laws, regulations and permits have had, and will continue to have, a significant effect on our business. Some environmental laws impose substantial penalties for noncompliance, and others, such as CERCLA, impose strict, retroactive and joint and several liability for the remediation of releases of hazardous substances. Liability under CERCLA, or similar state and local laws, may be imposed as a result of conduct that was lawful at the time it occurred or for the conduct of, or conditions

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caused by, prior operators or other third parties. Failure to properly handle, transport, store or dispose of hazardous materials or otherwise conduct our operations in compliance with environmental laws could expose us to liability for governmental penalties, cleanup costs and civil or criminal liability associated with releases of such materials into the environment, damages to property or natural resources and other damages, as well as potentially impair our ability to conduct our operations. In addition, future environmental laws and regulations could restrict our ability to expand our facilities or extract our mineral deposits or could require us to acquire costly equipment or to incur other significant expenses in connection with our business. Future events, including changes in any environmental requirements (or their interpretation or enforcement) and the costs associated with complying with such requirements, could have a material adverse effect on us.

Any failure by us to comply with applicable environmental laws and regulations may cause governmental authorities to take actions that could adversely impact our operations and financial condition, including:

• issuance of administrative, civil and criminal penalties;

• denial, modification or revocation of permits or other authorizations;

• imposition of injunctive obligations or other limitations on our operations, including cessation of operations; and

• requirements to perform site investigatory, remedial or other corrective actions.

Moreover, environmental requirements, and the interpretation and enforcement thereof, change frequently and have tended to become more stringent over time. For example, greenhouse gas emission regulation is becoming more rigorous. We expect to be required to report annual greenhouse gas emissions from our operations to the EPA, and additional greenhouse gas emission related requirements at the supranational, federal, state, regional and local levels are in various stages of development. The U.S. Congress has considered, and may adopt in the future, various legislative proposals to address climate change, including a nationwide limit on greenhouse gas emissions. In addition, the EPA has issued regulations, including the “Tailoring Rule,” that subject greenhouse gas emissions from certain stationary sources to the Prevention of Significant Deterioration and Title V provisions of the federal Clean Air Act. Any such regulations could require us to modify existing permits or obtain new permits, implement additional pollution control technology, curtail operations or increase significantly our operating costs. Any regulation of greenhouse gas emissions, including, for example, through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect our business, financial condition, reputation, operating performance and product demand.

In addition to environmental regulation, we are subject to laws and regulations relating to human exposure to crystalline silica. Several federal and state regulatory authorities, including MSHA and OSHA, may continue to propose changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits and required controls and personal protective equipment. For instance, in June 2016, OSHA issued final regulations that will reduce permissible exposure limits to 50 micrograms of respirable crystalline silica per cubic meter of air, averaged over an 8-hour day.

We may not be able to comply with any new laws and regulations that are adopted, and any new laws and regulations could have a material adverse effect on our operating results by requiring us to modify our operations or equipment or shut down some or all of our plants. Additionally, our customers may not be able to comply with any new laws and regulations, and any new laws and regulations could have a material adverse effect on our customers by requiring them to shut down old plants or to relocate plants to locations with less stringent regulations farther away from our facilities. We cannot at this time reasonably estimate our costs of compliance or the timing of any costs associated with any new laws and regulations, or any material adverse effect that any new standards will have on our customers and, consequently, on our operations.

We are subject to various lawsuits relating to the actual or alleged exposure of persons to silica. See “Risks Related to Our Business-Silica-related health issues and litigation could have a material adverse effect on our business, reputation or results of operations.”

We are subject to the Federal Mine Safety and Health Act of 1977, which imposes stringent health and safety standards on numerous aspects of our operations.

Our operations are subject to the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006, which imposes stringent health and safety standards on numerous aspects

of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment and other matters. Our failure to comply with such standards, or changes in such standards or the interpretation or enforcement thereof, could have a material adverse effect on our business and financial condition or otherwise impose significant restrictions on our ability to conduct mineral extraction and processing operations.

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Silica-related health issues and litigation could have a material adverse effect on our business, reputation or results of operations.

The inhalation of respirable crystalline silica is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the commercial silica industry. Concerns over silicosis and other potential adverse health effects, as well as concerns regarding potential liability from the use of silica, may have the effect of discouraging our customers' use of our silica products. The actual or perceived health risks of mining, processing and handling silica could materially and adversely affect silica producers, including us, through reduced use of silica products, the threat of product liability or employee lawsuits, increased scrutiny by federal, state and local regulatory authorities of us and our customers or reduced financing sources available to the commercial silica industry.

Since at least 1975, we and/or our predecessors have been named as a defendant, usually among many defendants, in numerous products liability lawsuits brought by or on behalf of current or former employees of our customers alleging damages caused by silica exposure. As of February 16, 2018, there were a total of 60 active silica-related products liability claims pending in which we were a defendant and 1 inactive claim. 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, involve various other defendants and have been filed in the states of Texas, Louisiana and Mississippi, although some cases have been brought in many other jurisdictions over the years.

Prior to the fourth quarter of 2012, we had insurance policies for both our predecessors that covered certain claims for alleged silica exposure for periods prior to certain dates in 1985 and 1986 (with respect to various 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 and associated litigation costs, settlements and verdicts have not resulted in a material liability to us to date. However, we continue to have silica exposure claims filed against us, including claims that allege silica exposure for periods not covered by insurance, and the costs, outcome and impact to us of any pending or future claims is not certain. Any such pending or future claims or inadequacies of our insurance coverage could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows and prospects. For further information, see "Business-Legal Proceedings." We and our customers are subject to other extensive regulations, including licensing, plant and wildlife protection and reclamation regulation, which impose, and will continue to impose, significant costs and liabilities. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect our results of operations.

In addition to the regulatory matters described above, we and our customers are subject to extensive governmental regulation on matters such as permitting and licensing requirements, plant and wildlife protection, wetlands protection, reclamation and restoration of mining properties after mining is completed, the discharge of materials into the environment and the effects that mining and hydraulic fracturing have on groundwater quality and availability. Our future success depends, among other things, on the quantity of our commercial silica and other mineral deposits and our ability to extract these deposits profitably, and our customers being able to operate their businesses as they currently do.

In order to obtain permits and renewals of permits in the future, we may be required to prepare and present data to governmental authorities pertaining to the impact that any proposed exploration or production activities may have on the environment. Certain approval procedures may require preparation of archaeological surveys, endangered species studies and other studies to assess the environmental impact of new sites or the expansion of existing sites.

Compliance with these regulatory requirements is expensive and significantly lengthens the time needed to develop a site. Finally, obtaining or renewing required permits is sometimes delayed or prevented due to community opposition and other factors beyond our control. The denial of a permit essential to our operations or the imposition of conditions with which it is not practicable or feasible to comply could impair or prevent our ability to develop or expand a site. Significant opposition to a permit by neighboring property owners, members of the public or other third parties or

delay in the environmental review and permitting process also could impair or delay our ability to develop or expand a site. New legal requirements, including those related to the protection of the environment, could be adopted that could materially adversely affect our mining operations (including our ability to extract mineral deposits), our cost structure or our customers' ability to use our commercial silica products. Such current or future regulations could have a material adverse effect on our business and we may not be able to obtain or renew permits in the future.

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Our inability to acquire, maintain or renew financial assurances related to the reclamation and restoration of mining property could have a material adverse effect on our business, financial condition and results of operations.

We are generally obligated to restore property in accordance with regulatory standards and our approved reclamation plan after it has been mined. We are required under federal, state and local laws to maintain financial assurances, such as surety bonds, to secure such obligations. The inability to acquire, maintain or renew such assurances, as required by federal, state and local laws, could subject us to fines and penalties as well as the revocation of our operating permits.

Such inability could result from a variety of factors, including:

- the lack of availability, higher expense or unreasonable terms of such financial assurances;
- the ability of current and future financial assurance counterparties to increase required collateral; and
- the exercise by financial assurance counterparties of any rights to refuse to renew the financial assurance instruments.

Our inability to acquire, maintain or renew necessary financial assurances related to the reclamation and restoration of mining property could have a material adverse effect on our business, financial condition and results of operations.

Mine closures entail substantial costs, and if we close one or more of our mines sooner than anticipated, our results of operations may be adversely affected.

We base our assumptions regarding the life of our mines on detailed studies that we perform from time to time, but our studies and assumptions do not always prove to be accurate. If we close any of our mines sooner than expected, sales will decline unless we are able to increase production at any of our other mines, which may not be possible. The closure of an open pit mine also involves significant fixed closure costs, including accelerated employment legacy costs, severance-related obligations, reclamation and other environmental costs and the costs of terminating long-term obligations, including energy contracts and equipment leases. We accrue for the costs of reclaiming open pits, stockpiles, tailings ponds, roads and other mining support areas over the estimated mining life of our property. If we were to reduce the estimated life of any of our mines, the fixed mine closure costs would be applied to a shorter period of production, which would increase production costs per ton produced and could materially and adversely affect our results of operations and financial condition.

Applicable statutes and regulations require that mining property be reclaimed following a mine closure in accordance with specified standards and an approved reclamation plan. The plan addresses matters such as removal of facilities and equipment, re-grading, prevention of erosion and other forms of water pollution, re-vegetation and post-mining land use. We may be required to post a surety bond or other form of financial assurance equal to the cost of reclamation as set forth in the approved reclamation plan. The establishment of the final mine closure reclamation liability is based on permit requirements and requires various estimates and assumptions, principally associated with reclamation costs and production levels. If our accruals for expected reclamation and other costs associated with mine closures for which we will be responsible were later determined to be insufficient, our business, results of operations and financial condition would be adversely affected.

Our trucking services are highly regulated, and increased direct and indirect costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.

The Department of Transportation (DOT) and various state agencies exercise broad powers over our trucking services, generally governing matters including authorization to engage in motor carrier service, equipment operation, safety, and financial reporting. In the future, we may become subject to new or more restrictive regulations, such as regulations relating to engine exhaust emissions, hours of service that our drivers may provide in any one time period, security and other matters, which could substantially impair equipment productivity and increase our costs. In addition, our operations most comply with the Fair Labor Standard Act, which governs such matters as wages and overtime, and which is administered by the Department of Labor (DOL). We may be audited periodically by the DOT or the DOL to ensure that we are in compliance with various safety, hours-of-service, wage and other rules and regulations. If we were found to be out of compliance, the DOT or the DOL could restrict or otherwise impact our trucking services, which would adversely affect our profitability and results of operations.

Risks Related to the Ownership of Our Common Stock

Our stock price could be volatile, and you may not be able to resell shares of your common stock at or above the price you paid.

The stock market has and continues to experience extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the underlying businesses. These broad market fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance.

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In addition to the risks described in this section, the market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- quarterly variations in our operating results compared to market expectations;
- announcements of acquisitions of or investments in other businesses and properties or dispositions;
- changes in preferences of our customers;
- announcements of new services or products or significant price reductions by us or our competitors;
- size of the public float;
- stock price performance of our competitors;
- fluctuations in stock market prices and volumes;
- default on our indebtedness or foreclosure on our properties;
- actions by competitors;

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- changes in our management team or key personnel;
- changes in ratings and financial estimates by securities analysts;
- negative earnings or other announcements by us or other industrial companies;
- downgrades in our credit ratings or the credit ratings of our competitors;
- issuances of capital stock; and
- global economic, legal and regulatory factors unrelated to our performance.

Numerous factors affect our business and cause variations in our operating results and affect our net sales, including overall economic trends, our ability to identify and respond effectively to customer preferences, actions by competitors, pricing, the level of customer service that we provide, changes in product mix or sales channels, our ability to source and distribute products effectively and weather conditions.

Volatility in the market price of our common stock may prevent investors from being able to sell their common stock at or above the price at which you purchased the stock. As a result, you may suffer a loss on your investment.

Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in substantial costs, reduce our profits, divert our management's attention and resources and harm our business.

Anti-takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our Board. These provisions:

- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;

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- provide that the Board is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our Board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Our certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law (the "DGCL"), and will prevent us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock, unless Board or stockholder approval is obtained prior to the acquisition. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

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If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Holders of our common stock may not receive dividends on our common stock.

Holders of our common stock are entitled to receive only such dividends as our Board may declare out of funds legally available for such payments. We are incorporated in Delaware and are governed by the DGCL. The DGCL allows a corporation to pay dividends only out of a surplus, as determined under Delaware law or, if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. Under the DGCL, however, we cannot pay dividends out of net profits if, after we pay the dividend, our capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. While management and our Board remain committed to evaluating additional ways of creating shareholder value, any determination to pay dividends and other distributions in cash, stock or property by us in the future will be at the discretion of our Board and will be dependent on then-existing conditions, including business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions including restrictive covenants contained in debt agreements and other factors. While we have declared and paid a quarterly cash dividend on our common stock as described under Part II, Item 5 of this Annual Report on Form 10-K, we are not required to declare future cash dividends on our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our corporate headquarters is located in Frederick, Maryland. In addition, we maintain corporate support centers and sales offices in Chicago, Illinois and Houston, Texas.

As of December 31, 2017, we operate 19 production facilities located primarily in the eastern half of the United States, with operations in Alabama, Illinois (3), Louisiana, Michigan, Missouri (2), New Jersey, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas (3), Virginia, West Virginia and Wisconsin. We own two sites in the development stage in Texas, and two undeveloped sites located in Wisconsin and Arkansas. We also own three transload sites and operate additional transload sites via service contracts with our transload operating partners. Additionally, we operate corporate laboratories located at our Berkeley Springs, West Virginia and Houston, Texas facilities that provide critical technical expertise, analytical testing resources and application development to promote product value and cost savings.

We generally own our principal production properties, although some land is leased. Substantially all of our owned assets are pledged as security under our senior secured credit facility; for additional information regarding our indebtedness, see Note J - Debt and Capital Leases to our Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to our credit facilities.

Corporate offices, including sales locations are leased. In general, we consider our facilities, taken as a whole, to be suitable and adequate for our current operations.

Our Production Facilities

The following is a detailed description of our 19 production facilities, our two sites in development state, and our currently undeveloped sites.

Crane County, Texas

Our Crane County facility is currently in development, and will use natural gas and electricity to produce whole grain silica through surface mining methods. The reserves at Crane County contain windblown dune sand lying above ancient dunes of clayey sand, all of the Quaternary age. The facility is located approximately 25 miles southwest of Odessa, Texas in Crane County and is located 5 miles south of U.S. Interstate 20 on a main Farm-to-Market Road. Once the product is processed, it will be shipped by truck.

We acquired the Crane County facility in connection with the purchase of 3200 acres of ranch land in May 2017. The fully automated, state-of-the-art facility may become operational as early as the first quarter of 2018 and features a 4 million ton per year plant with a wet plant, intermediate stockpile, dry plant, screening plant, and loadout.

The plant will primarily produce a range of API/ISO certified frac sand grades. The Crane County plant's location in West Texas allows it to ship regional sand by truck.

Lamesa, Texas

Our Lamesa facility is currently in development, and will use natural gas and electricity to produce whole grain silica through surface mining methods. The reserves at Lamesa contain windblown dune sand lying above ancient dunes of clayey sand, all of the Quaternary age. The facility is located in Dawson County, approximately 55 miles north of Midland, Texas and 60 miles south of Lubbock, Texas. The site is located 13 miles north and west of Lamesa, Texas using state, farm-to-market and private roads. U.S. Route 87 runs through Lamesa and directly leads north to Lubbock and south to Midland. Once the product is processed, it will be shipped by truck.

We acquired the Lamesa facility in connection with the purchase of 3500 acres of ranch land in 2017. The fully automated, state-of-the-art facility will become operational as early as second quarter 2018 and features a 2.6 million ton per year plant with a wet plant, intermediate stockpile, dry plant, screening plant, and loadout. The plant will primarily produce a range of API/ISO certified frac sand grades. The Crane County plant's location in West Texas allows it to ship regional sand by truck.

Festus, Missouri

The Festus facility uses natural gas and electricity to produce whole grain silica from a sandstone reserve that we lease. The ore is mined by a contractor using both surface and underground hard-rock mining methods. The reserves are part of the St.

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Peter Sandstone Formation that stretches north-south from Minnesota to Missouri and east-west from Illinois to Nebraska and South Dakota. The facility is located approximately 30 miles south of St. Louis and is accessible by major highways including U.S. Interstate 55. Once the product is appropriately processed, it is packaged in bulk and shipped by truck to either barge or rail.

We acquired the Festus facility in August 2017 in connection with the closing of our MS Sand acquisition in August 2017. To date the operation has produced sand for oil and gas proppants. Since acquiring the facility we have begun an expansion to increase capacity. The Festus operation's production techniques and distribution model allow the Festus facility to serve all major silica markets.

Ottawa, Illinois

Our surface mines in Ottawa use natural gas and electricity to produce whole grain and ground silica through a variety of mining methods, including hard rock mining, mechanical mining and hydraulic mining. The reserves are part of the St. Peter Sandstone Formation that stretches north-south from Minnesota to Missouri and east-west from Illinois to Nebraska and South Dakota. The facility is located approximately 80 miles southwest of Chicago and is accessible by major highways including U.S. Interstate 80. Once the product is appropriately processed, it is shipped either in bulk or packaged form by rail by either the CSX Corporation or the BNSF Railway Company (via the Illinois Railway short line), truck or barge.

We acquired the Ottawa facility in 1987 by merger with the Ottawa Silica Company, which had historically used the property to produce whole grain and ground silica for customers in industrial and specialty products end markets. Since acquiring the facility we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including washing, hydraulic sizing, grinding, screening and blending. These production techniques allow the Ottawa facility to meet a wide variety of focused specifications on product composition from customers. As such, the Ottawa facility services multiple end markets, such as glass, building products, foundry, fillers and extenders, chemicals and oil and gas proppants. In November 2009, we expanded the frac sand capacity of this facility by 500,000 tons. During the fourth quarter of 2011, we completed a follow-on expansion project that added an additional 900,000 tons of frac sand capacity.

Voca, Texas

Our surface mines at the Voca facility use propane and electricity to produce whole grain silica through hard rock mining. The majority of reserves in Voca are sandstones of the Middle and Lower Hickory members of the Riley Formation in central Texas. The facility is located approximately 110 miles northwest of Austin, Texas in McCulloch County and is accessible by state highways. Once product is processed, it is shipped primarily by customer truck. We acquired the Voca facility upon the closing of our Cadre Services, Inc. ("Cadre") acquisition in July 2014. The fully automated, state-of-the-art facility became operational in 2011 and features one of the industry's largest on-site storage capacities. The plant was recently expanded in 2014 and produces a range of API/ISO certified frac sand grades. The Voca plant's location in central Texas allows it to economically serve oil & gas customers in the Permian basin.

Tyler, Texas

Our Tyler facility uses natural gas and electricity to produce whole grain silica through surface mining methods. The reserves at Tyler contain mostly unconsolidated sand of the Queen City Sand formation (Eocene Age). The facility is located approximately 9 miles north of Tyler, Texas in Smith County and is located immediately adjacent to U.S. Interstate 20. Once product is processed, it is shipped by truck.

We acquired the Tyler facility in connection with the closing of the acquisition of NBI in August 2016. The fully automated, state-of-the-art facility became operational in 2011 and features one of the industry's largest on-site storage capacities. The plant was recently expanded in 2014 and produces a range of API/ISO certified frac sand grades. The Tyler plant's location in Northeast Texas allows it to ship regional sand directly to the wellheads in the Texas and Louisiana basins by truck.

Mill Creek, Oklahoma

Our surface mines in Mill Creek use natural gas and electricity to produce whole grain, ground and fine ground silica through hydraulic mining. The reserves are part of the Oil Creek Formation in south central Oklahoma. The facility is located approximately 100 miles southeast of Oklahoma City and is accessible by major highways including U.S.

Interstate 35. Once the product is appropriately processed, it is packaged in bulk and shipped either by rail by BNSF Railway Company or by truck.

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We acquired the Mill Creek facility in 1987 by merger with the Pennsylvania Glass Sand Corporation, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including hydraulic sizing, fluid bed drying, grinding and air sizing. These production techniques allow the Mill Creek facility to meet a wide variety of focused specifications on product composition from customers. As such, the Mill Creek facility services multiple end markets, such as glass, foundry, fillers and extenders, building products and oil and gas proppants.

Sparta, Wisconsin

Our facility at Sparta uses natural gas and electricity to produce whole grain silica products through dredging. The reserve geology is that of high purity alluvial sands with the primary erosional source being the Wonewoc Formation. The Wonewoc Sandstone Formation is known for its round, coarse grains and superior crush strength properties, which makes it an ideal substrate for oil and gas proppants. The Sparta property was acquired on December 30, 2011, and site development began in April 2012. The property is located 25 miles northeast of La Crosse; approximately 120 miles northwest of Madison, Wisconsin; and is readily accessible by both U.S. Interstate 90 and the Canadian Pacific railroad.

Utica, Illinois

Our surface mine at the Utica facility uses natural gas and electricity to produce whole grain silica products through surface mining. The reserves are part of the St. Peter Formation sandstone stretches north-south from Minnesota to Missouri and east-west from Illinois to Nebraska and South Dakota. We acquired the Utica property and plant in 2015 from Quality Sand Products LLC. The facility is located approximately 80 miles southwest of Chicago and is accessible by major highways including U.S. Interstate 80. Once the product is appropriately processed, it is shipped by truck or on the nearby Union Pacific Railroad.

Mapleton Depot, Pennsylvania

Our surface mines in Mapleton Depot use natural gas, fuel oil and electricity to produce whole grain silica through hard rock mining. The reserves are part of the Ridgeley (sometimes called the Oriskany) Sandstone Formation in central Pennsylvania. The facility is located approximately 40 miles northwest of Harrisburg and is accessible by major highways including U.S. Interstates 99, 80 and 76 and U.S. Routes 22 and 322. Once the product is appropriately processed, it is packaged in bulk and shipped either by rail by Norfolk Southern Corporation or by truck. We acquired the Mapleton Depot facility in 1987 by merger with the Pennsylvania Glass Sand Corporation, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including hydraulic sizing, fluid bed drying, scalping and a low iron circuit. These production techniques allow the Mapleton Depot facility to meet a wide variety of focused specifications on product composition from customers. As such, the Mapleton Depot facility services multiple end markets, such as glass, specialty glass, building products, recreation, and oil and gas proppants.

Pacific, Missouri

Our surface mines at the Pacific facility use natural gas and electricity to produce whole grain, ground and fine ground silica through a variety of mining methods, including hard rock and hydraulic mining. The reserves are part of the St. Peter Sandstone Formation that stretches north-south from Minnesota to Missouri and east-west from Illinois to Nebraska and South Dakota. The facility is located approximately 50 miles southwest of St. Louis and is accessible by major highways including U.S. Interstate 44. Once the product is appropriately processed, it is packaged in bulk and shipped either by rail directly by Union Pacific Corporation and through open switching on the same line by BNSF Railway Company or by truck.

We acquired the Pacific facility in 1987 by merger with the Pennsylvania Glass Sand Corporation, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including hydraulic sizing, fluid bed drying, grinding, dry screening, classifying and microsizing. In August 2010, we expanded this facility's processing capabilities to include the processing of frac sand.

These production techniques allow the Pacific facility to meet a wide variety of focused specifications on product composition from customers. As such, the Pacific facility services multiple end markets, such as glass, foundry, fillers and extenders and oil and gas proppants.

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Kosse, Texas

Our surface mine in Kosse uses mechanical mining to extract sand ore from the reserve. The plant uses natural gas and electricity to produce whole grain silica. The reserves are part of the Simsboro member of the Rockdale Formation in central Texas. The facility is located approximately 90 miles south of Dallas and is accessible by major highways including U.S. Interstates 45 and 35. Once the product is appropriately processed, it is shipped by truck.

We acquired the Kosse facility in 1987 by merger with the Ottawa Silica Company, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including washing, hydraulic sizing, fluid bed drying, and dry screening. These production techniques allow the Kosse facility to meet a wide variety of focused specifications on product composition from customers. As such, the Kosse facility services multiple end markets, such as building products, recreation, and oil and gas proppants.

Berkeley Springs, West Virginia

Our surface mines at the Berkeley Springs facility use hard rock mining methods to produce high-purity sandstone. The plant uses propane, fuel oil and electricity to make whole grain, ground, and fine ground silica. Berkeley Springs also produces a synthetic magnesium-silica product called Florisil.

The reserves are part of the Ridgeley Sandstone Formation along the Warm Springs Ridge in eastern West Virginia. The facility is located approximately 100 miles northwest of Baltimore and is accessible by major highways including U.S. Interstate 70. Once the product is appropriately processed, it is packaged in bulk and shipped by rail by the CSX Corporation or truck.

We acquired the Berkeley Springs facility in 1987 by merger with the Pennsylvania Glass Sand Corporation, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including primary, secondary and tertiary crushing, grinding, flotation, dewatering, fluid bed drying, mechanical screening and rotary drying processing. These production techniques allow the Berkeley Springs facility to meet a wide variety of focused specifications from customers producing specialty epoxies, resins and polymers, geothermal energy equipment and fiberglass. As such, the Berkeley Springs facility services multiple end markets, such as glass, building products, foundry, chemicals and fillers and extenders.

Columbia, South Carolina

Our surface mines in Columbia use natural gas, fuel oil and electricity to produce whole grain, ground and fine ground silica through dune mining. The reserves are part of the Tuscaloosa Formation in central South Carolina. The facility is located approximately 10 miles southwest of Columbia and is accessible by major highways including U.S. Interstates 26 and 20. Once the product is appropriately processed, it is bagged or shipped in bulk either by rail by Norfolk Southern Corporation or by truck.

We acquired the Columbia facility in 1987 by merger with the Pennsylvania Glass Sand Corporation, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including hydraulic sizing, fluid bed drying, scalping and grinding. These production techniques allow the Columbia facility to meet a wide variety of focused specifications on product composition from customers. As such, the Columbia facility services multiple end markets, such as glass, building products, fillers and extenders, filtration and oil and gas proppants.

Dubberly, Louisiana

Our surface mines in Dubberly use natural gas and electricity to produce whole grain silica through dredge mining. The reserves are part of the Sparta Formation. The facility is located approximately 30 miles east of Shreveport and is accessible by major highways including U.S. Interstate 20 and state Highway 532. Once the product is appropriately processed, it is bagged or shipped in bulk by truck.

We acquired the Dubberly facility in 1987 by merger with the Ottawa Silica Company, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities to enable it to produce multiple products through various

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processing methods, including screening, washing, fluid bed drying and conditioning to remove heavy and iron bearing minerals. These production techniques allow the Dubberly facility to meet a wide variety of focused specifications on product composition from customers. As such, the Dubberly facility services multiple end markets, such as glass, foundry and building products.

Montpelier, Virginia

Our surface mines in Montpelier use fuel oil and electricity to produce aplite through hard rock mining. The reserves are part of an igneous rock complex that is unique to this location. The facility is located approximately 20 miles northwest of Richmond and is accessible by major highways including U.S. Interstates 64 and 95. Once the product is appropriately processed, it is packaged in bulk and shipped either by rail by Norfolk Southern Corporation or CSX Corporation or by truck.

We acquired the Montpelier facility in 1993 from The Feldspar Company, which had historically used the property to produce aplite for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including hydraulic crushing and sizing, washing, fluid bed drying and grinding. These production techniques allow the Montpelier facility to meet a wide variety of focused specifications on product composition from customers. As such, the Montpelier facility services multiple end markets, such as glass, building products and recreation.

Hurtsboro, Alabama

Our surface mines in Hurtsboro use propane and electricity, to produce whole grain silica. Sand feed for processing is trucked in from surrounding mine locations. The reserves are mined from the Cusseta member of the lower Ripley Formation. The facility is located approximately 75 miles east of Montgomery and is accessible by major highways including U.S. Interstate 85 and state Highway 431. Once the product is appropriately processed, it is shipped in bulk by truck.

We acquired the Hurtsboro facility in 1988 from Warrior Sand & Gravel Company, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including trucking in sand from surrounding locations, hydraulic sizing, screening and fluid bed drying. These production techniques allow the Hurtsboro facility to meet a wide variety of focused specifications on product composition from customers. As such, the Hurtsboro facility services multiple end markets, such as foundry, building products and recreation.

Jackson, Tennessee

Our surface mines in Jackson use natural gas and electricity to produce whole grain and ground silica. Sand is purchased from a local dredging company whose reserves are alluvial sands associated with an ancient river system. The facility is located approximately 75 miles east of Memphis and is accessible by major highways including U.S. Interstate 40. Once the product is appropriately processed, it is shipped in bulk by truck.

We acquired the Jackson facility in 1997 from Nicks Silica Company, which had historically used the property to produce whole grain and ground silica for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities, turning it into one of our premier grinding facilities and enabling it to produce multiple products through various processing methods, including rotary drying, screening and grinding. These production techniques allow the Jackson facility to meet a wide variety of focused specifications on product composition from customers. As such, the Jackson facility services multiple end markets, such as fiberglass, building products, ceramics, fillers and extenders and recreation.

Mauricetown, New Jersey

Our surface mines near the Mauricetown facility use natural gas, fuel oil and electricity, to produce whole grain silica through dredge mining. The reserves are mined from alluvial sands in the Maurice River Valley and are similar to those found in the Cohansey, Bridgeton and Cape May deposits. The facility is located approximately 50 miles south of Philadelphia and is accessible by major highways including U.S. Interstate 295 and state Highway 55. Once the product is appropriately processed, it is packaged in bags or bulk and shipped either by rail by Winchester & Western Railroad or by truck.

We acquired the Mauricetown facility in 1999 from Unimin Corporation, which had historically used the property to produce whole grain silica for customers in industrial and specialty products end markets. Since acquiring the facility, we have renovated and upgraded its production capabilities, including the construction of a new wet processing plant, to enable it to

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produce multiple products through various processing methods, including washing, hydraulic sizing, fluid bed drying, rotary drying and scalping. These production techniques allow the Mauricetown facility to meet a wide variety of focused specifications on product composition from customers. As such, the Mauricetown facility services multiple end markets, such as foundry, filtration, building products and recreation.

Rockwood, Michigan

Our surface mines at the Rockwood facility use natural gas and electricity to produce whole grain silica. Rockwood's own reserves are part of the Sylvania Formation and are notable for their low iron content, making them particularly valuable to customers producing specialty glass for architectural or alternative energy applications. Currently sandstone ore is purchased from two local construction material companies from those companies' reserves. The facility is located approximately 30 miles southwest of Detroit and is accessible by major highways including U.S. Interstate 75. Once the product is appropriately processed, it is packaged in bulk and shipped by rail via the Canadian National Railway or truck.

We acquired the Rockwood facility in 1987 by merger with the Ottawa Silica Company, which had historically used the property to produce whole grain and ground silica for customers in industrial and specialty products end markets. Since acquiring the facility we have renovated and upgraded its production capabilities to enable it to produce multiple products through various processing methods, including fluid bed drying, dry screening and classifying. These production techniques allow the Rockwood facility to meet a wide variety of focused specifications on product composition from customers. As such, the Rockwood facility services multiple end markets, such as glass, building products, oil and gas proppants and chemicals. During the fourth quarter of 2011, we completed the addition of 250,000 tons of annual frac sand capacity at the Rockwood facility by installing an entirely new processing circuit.

Rochelle, Illinois

Our Rochelle site is a resin coated sand processing plant. The Rochelle property was purchased in 2011, and we spent 2011 and 2012 planning and constructing a resin coating facility on the property.

The Rochelle facility has two process lines, each with the capacity to coat 200 million pounds, or 100,000 tons, of substrate. The facility has the flexibility to coat numerous substrates using novolac or polyurethane coating technology. Sand can be received and shipped both by truck and rail to help meet customer requirements. One of the competitive strengths of the facility is the capability to ship by the BNSF and Union Pacific railroads to many key locations throughout United States.

Fairchild, Wisconsin

Fairchild is a sandstone deposit with over 39 million tons of proven reserves near the town of Fairchild, Wisconsin. We acquired the reserves in 2014 from Forenergy, LLC and performed additional exploration and permitting on the site in 2015. There is no facility currently on the property and it is currently being permitted for operations. We received a non-metallic reclamation permit in July 2015 from Eau Claire County. The reserve is comprised of high purity sands of the Wonewoc Formation. The Wonewoc Sandstone Formation is known for its round, coarse grains and superior crush strength properties, which makes it an ideal oil and gas proppant. The property is located approximately 30 miles southeast of Eau Claire and 50 miles north of our Sparta plant; it is accessible by the Union Pacific rail line and highways including U.S. Interstate 94 and state Highways 10 and 12.

Batesville, Arkansas

Batesville is a sandstone deposit with over 34 million tons of probable reserves near the town of Batesville, Arkansas. We acquired the reserves in 2010 from White Buck, LLC. There is no facility on the property and it is not currently fully permitted. The deposit has high purity sandstone and can provide a long-term supplement to the reserves at our Mill Creek operations. The reserves are part of the St. Peter Sandstone deposit, which is part of the same formation being mined at our Ottawa and Pacific operations. The property is located approximately 85 miles northeast of Little Rock and is accessible by highways including state Highways 67 and 167.

Our Reserves

We believe we have a broad and high-quality mineral reserves base due to our strategically located mines and facilities. "Reserves" are defined by SEC Industry Guide 7 as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Industry Guide 7 divides reserves between "proven (measured) reserves" and "probable (indicated) reserves" which are defined as follows:

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Proven (measured) reserves. Reserves for which (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (2) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Probable (indicated) reserves. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

We categorize our reserves as proven or probable in accordance with these SEC definitions. We estimate that we had a total of approximately 765 million tons of proven and probable mineable mineral reserves as of December 31, 2017. Compared to 467 million tons of proven and probable mineable mineral reserves we had as of December 31, 2016, the increase of 298 million tons was primarily due to greenfield development projects at Crane County and Lamesa and our Mississippi Sand acquisitions during the year ended December 31, 2017. The quantity and nature of the mineral reserves at each of our properties are estimated by our internal Mine Planning department. Our mining engineer updates our reserve estimates annually, making necessary adjustments for operations at each location during the year and additions or reductions due to property acquisitions and dispositions, quality adjustments and mine plan updates. Before acquiring new reserves, we perform surveying, drill core analysis and other tests to confirm the quantity and quality of the acquired reserves. In some instances, we acquire the mineral rights to reserves without actually taking ownership of the properties.

Description of Deposits

The following is a description of the nature of our silica sand and aplite deposits for each of our reserve locations:

Crane County, Texas

The deposit has a minimum silica (SiO₂) content of 98%. The controlling attributes are grain crush strength and size distribution. All areas of the deposit are characterized by clean, low-clay content sand in windblown dunes. In many areas, a more clayey sand lies beneath the clean sand. In all cases the sand is unconsolidated.

Lamesa, Texas

The deposit has a minimum silica (SiO₂) content of 98%. The controlling attributes are grain crush strength and size distribution. All areas of the deposit are characterized by clean, low-clay content sand in windblown dunes. In many areas, a more clayey sand lies beneath the clean sand. In all cases the sand is unconsolidated.

Festus, Missouri

The deposit has a minimum silica (SiO₂) content of 98%. The controlling attributes are grain crush strength and size distribution. The top half of the deposit tends to have a coarser grain size distribution and exhibits stronger rock.

Ottawa, Illinois

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are grain crush strength, iron (Fe₂O₃) content and grain size distribution. Iron is concentrated near the surface, where orange iron staining is evident and also increases where the bottom contact becomes concentrated in iron pyrite. Maximum average full face iron content is 0.045%. The deposit tends to run a coarser grain size distribution in the top half of deposit.

Voca, Texas

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are sand grain crush strength and size distribution. The majority of the sand reserves are hosted within the Hickory Sandstone, the basal member of the Riley Formation. The Cambrian age Hickory sandstone member consists chiefly of yellow, brown, or red sandstone overlying Pre-Cambrian granites.

Tyler, Texas

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The deposit has a minimum silica (SiO₂) content of 98%. The controlling attributes are crush strength and size distribution of the sand grains. The Queen City Sand formation, an Eocene Age unconsolidated sand deposit, makes up the Tyler reserves. The Queen City Sand consists mainly of white, brown, and grayish-green sand found mostly as loose particles.

Mill Creek, Oklahoma

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are iron (Fe₂O₃) content, calcium (CaO) content and grain size distribution. The sand/overburden contact is occasionally concentrated in calcium and any sand with greater than 0.03% CaO is removed during the overburden removal process. Sand with iron greater than 0.03% Fe₂O₃ is not mined.

Sparta, Wisconsin

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are sand grain crush strength and size distribution. A thin layer of silt overlies the 50 to 100 foot thick sand deposit. The deposit is unconsolidated and well graded and can be used to manufacture three main API product grades, 40/70, 30/50, and 20/40 as well as the non-API 100-mesh product.

Utica, Illinois

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are sand grain crush strength and size distribution. The deposit is well graded and can produce a variety of products.

Mapleton Depot, Pennsylvania

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attribute is iron (Fe₂O₃) as most sales have low iron specifications. Higher-iron ore is stockpiled and used when oil and gas proppant production is required, or is blended when very low iron ore is available.

Pacific, Missouri

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are iron (Fe₂O₃) and calcium (CaO) content. Calcium can be concentrated at the upper sand contact with overlying carbonate cap rock. This enriched calcium zone is known from drill sample results and is stripped during the overburden removal process. Average full mining face washed sand samples are less than 0.03% iron and 0.05% calcium.

Kosse, Texas

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are iron content (Fe₂O₃), sand grain crush strength and size distribution. Multiple areas of deposit can be mined at any one time to assure consistency of ore and to smooth out variability of attributes. Maximum sand irons are 0.045%.

Berkeley Springs, West Virginia

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attribute is iron (Fe₂O₃). Ore that is higher than 0.06% iron is not mined. Ore less than 0.06% iron is mined and blended for feed to plant.

Columbia, South Carolina

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are iron content (Fe₂O₃) and percentage of clay/slimes. Clay content increases at depth and generally the pit bottom follows a marker bed at 250-foot elevation where clay content is in excess of 11%. Generally, sand having iron values greater than 0.03% is not mined.

Dubberly, Louisiana

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are iron (Fe₂O₃) content and grain size distribution. Mining full-face average for iron is 0.045%. Fine and coarse areas are blended to meet the grain size average.

Montpelier, Virginia

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The Montpelier anorthosite contains andesine feldspar which is mined and processed to create an alumina rich product. The general term aplite is used to denote the product. The controlling attributes are titanium (TiO₂), aluminum (Al₂O₃), iron (Fe₂O₃) and phosphorous (P₂O₅).

The Montpelier anorthosite is approximately 1,000 million years in age and intruded into the older Precambrian Sabot Gneiss. The overall dome shape of the orebody has been altered by multiple structural and metamorphic events that result in the present day foliated and folded deposit. The deposit is highly weathered and soft near the surface.

Hardness and strength increase with depth.

Aplite is used as a flux agent in glass making and is sold to the same glass end markets and used in the same processes and in a similar manner as our silica product.

Hurtsboro, Alabama

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attribute is grain size distribution. Sand reserves are located on the crests of rolling hills and mining occurs from multiple pits and faces within pits to assure optimum grain size distribution is available to meet the market product mix.

Jackson, Tennessee

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attribute of iron (Fe₂O₃) content is managed through keeping clay overburden from intermixing with the sand and maintaining adequate washing of sand in the wet processing of the sand.

Mauricetown, New Jersey

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attribute is grain size distribution. Occasional zones high in clay are avoided in the course of dredge mining.

Rockwood, Michigan

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attribute is iron content (Fe₂O₃). Mineable sand must have less than 0.01% Fe₂O₃.

Fairchild, Wisconsin

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attributes are sand grain crush strength and size distribution. Topsoil, clay and eroded sand cover the 40 to 100 feet thick sandstone formation. The deposit is well graded with varying degrees of consolidation.

Batesville, Arkansas

The deposit has a minimum silica (SiO₂) content of 99%. The controlling attribute is iron (Fe₂O₃) content, sand grain crush strength and size distribution. The deposit has two horizons; a low iron horizon where sand has less than 0.009% Fe₂O₃ and a regular iron horizon where sand has greater than 0.009% Fe₂O₃.

Mineral Rights

The mineral rights and access to mineral reserves for the majority of our operations are secured through land that is owned in fee. There are no underlying agreements and/or royalties associated with Berkeley Springs, Dubberly, Jackson, Lamesa, Mauricetown, Montpelier, Ottawa, Pacific, Rockwood, Sparta, Tyler, Utica, Voca and Batesville. The mineral rights and access to mineral reserves at our Mill Creek operation are a combination of land owned in fee and one mineral lease. A non-participating royalty is paid to the original sellers of the fee property that covers almost all of the reserves. The lease agreements involve an annual minimum payment and a non-participating per-ton production royalty payment.

The Columbia operation mineral reserves and rights are secured under a long-term mineral lease. The lease includes an annual minimum payment and a production royalty based on gross revenue.

The Hurtsboro operation mineral reserves and rights are secured under two mineral leases. Both are long-term leases that include an annual minimum payment and a production royalty payment based on average selling price. These mineral leases

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have been renewed in the past, and it is expected that if mining is still occurring on these properties the leases can be extended again.

The mineral rights and access to mineral reserves at our Kosse operation are a combination of land owned in fee and one long-term mineral lease. The lease is for 25 acres and a minimum royalty is paid annually.

The Mapleton Depot operation mineral reserves and rights are secured under two long-term mineral leases. One of the leases is with a Commission of the Pennsylvania State government. Annual minimum royalty is nominal, and production royalty payments are based on selling price with a minimum per-ton royalty.

The Festus operation leases its reserves from another company that is also the mining contractor for those reserves. There is a royalty associated with the mineral lease agreement.

When our Fairchild and Crane County reserves were acquired, we entered into royalty agreements with the companies that sold us the land. The non-participating royalty interest is based on tons of frac sand sold. Currently the Fairchild site remains undeveloped, while the Crane County site is in development.

None of our operations, except for Mapleton Depot, are on government land and, accordingly, we do not have any other government leases or associated mining claims.

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Summary of Reserves

The following table provides information on our production facilities that have reserves as well as our undeveloped sites in Fairchild, Wisconsin and Batesville, Arkansas, as of December 31, 2017. Included is the location and area of the facility; the type, amount and ownership status of its reserves; and the primary end markets that it serves. Our facility in Rochelle, Illinois has no reserves.

| Mine/Plant Location | Acreage Owned/Leased | Proven Reserves | Probable Reserves | Combined Proven and Probable Reserves | 2017 Tons Mined | Primary End Markets Served |
|---------------------------|---|-----------------------------|-------------------|---------------------------------------|-----------------|---|
| | (in acres) | (tonnage data in thousands) | | | | |
| Crane County | 3200 owned | 123,900 | 47,500 | 171,400 | — | Oil and gas proppants |
| Lamesa | 3523 owned | 102,900 | 16,300 | 119,200 | — | Oil and gas proppants |
| Festus | 635 leased | 18,114 | 7,411 | 25,525 | 901 | Oil and gas proppants |
| Ottawa | 2,100 owned | 127,871 | — | 127,871 | 4,367 | Oil and gas proppants, glass, chemicals, foundry |
| Voca | 1,061 owned | 29,823 | 41,900 | 71,723 | 2,424 | Oil and gas proppants |
| Tyler | 1,356 owned | 19,128 | 20,100 | 39,228 | 1,617 | Oil and gas proppants |
| Mill Creek | 2,174 owned 16 mineral lease | — | 11,533 | 11,533 | 2,084 | Oil and gas proppants, glass, foundry, building products |
| Sparta | 660 owned | 24,926 | 2,740 | 27,666 | 1,565 | Oil and gas proppants |
| Utica | 148 owned | 7,243 | — | 7,243 | 2,048 | Oil and gas proppants |
| Mapleton | 1,761 owned 194 mineral lease 98 access lease | 2,672 | 2,100 | 4,772 | 738 | Glass, building products |
| Pacific | 524 owned | 16,129 | 7,994 | 24,123 | 719 | Oil and gas proppants, glass, foundry, fillers and extenders |
| Kosse | 1,053 owned 25 mineral lease | 10,830 | — | 10,830 | — | Oil and gas proppants, building products, recreational products |
| Berkeley | 4,435 owned | 1,727 | 6,000 | 7,727 | 534 | Glass, building products, fillers and extenders |
| Columbia | 648 lease 204 owned | 4,742 | — | 4,742 | 439 | Glass, building products, fillers and extenders |
| Dubberly | 356 owned | 4,525 | — | 4,525 | 278 | Glass, foundry, building products |
| Montpelier ⁽¹⁾ | 824 owned | — | 12,965 | 12,965 | 224 | Glass, building products |
| Hurtsboro | 117 owned 1,108 mineral lease | 478 | — | 478 | 149 | Foundry, building products |
| Jackson | 132 owned | — | — | — | 145 | Fiberglass, building products |
| Mauricetown | 1,279 owned | 11,814 | — | 11,814 | 270 | Filtration, foundry, building products |
| Rockwood ⁽²⁾ | 872 owned | 8,363 | — | 8,363 | — | Glass, building products |
| Fairchild | 632 owned | 38,975 | — | 38,975 | — | — |
| Batesville | 477 owned | — | 34,732 | 34,732 | — | — |
| Total | | 554,160 | 211,275 | 765,435 | 18,502 | |

(1) Montpelier's reserves are comprised entirely of the mineral aplite.

(2) Rockwood's products were produced from or sourced from a third party. It did not mine any of its reserves in 2017.

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Our Logistics Network

In order to expand our supply chain network and leverage our logistics capabilities to meet our customers' needs in oil and gas basins, we continue to expand our transload network to ensure product is available to meet the in-basin needs of our customers. This approach allows us to provide strong customer service and puts us in a position to take advantage of opportunistic spot market sales. As of December 31, 2017, we have 56 transload facilities strategically located in or near major shale basins in the United States. Most of our transloads are operated by third-party transload service providers via service agreements, which include both longer term contracts (generally 2 to 5 years) and month-to-month arrangements.

We lease a significant number of railcars for shipping purposes and for short-term storage of our products, particularly our frac sand products. As of December 31, 2017, we leased a fleet of 7,111 railcars, of which no empty cars were in storage.

Our recent acquisition of Sandbox extends our delivery capability directly to our customers' wellhead locations. Sandbox provides "last mile" logistics to companies in the oil and gas industry, which increases efficiency and provides a lower cost logistics solution for our customers. Sandbox has operations in Texas (Midland/Odessa, Kenedy, Dallas/Fort Worth, Tyler); Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado; Oklahoma City, Oklahoma; Cambridge, Ohio and Mansfield, Pennsylvania, where its major customers are located. We will continue to make strategic investments and develop partnerships with transload operators and transportation providers that will enhance our portfolio of supply chain services that we can provide to customers.

The map below shows the location of our production facilities, transload facilities and Sandbox operation sites:

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ITEM 3. LEGAL PROCEEDINGS

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

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

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

As a result of the above developments, the filing rate of new claims against us over the past few years has decreased to below pre-2001 levels, and we were named as a defendant in zero, two, and zero new silicosis cases filed in 2015, 2016 and 2017, respectively. As of December 31, 2017, there were a total of 59 active silica-related products liability claims pending in which we were a defendant and 1 inactive claim. 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 products liability claims filed against us, including claims that allege silica exposure for periods for which we do not have insurance coverage. Any such pending or future claims or inadequacies of our insurance coverage could have a material adverse effect on our business, reputation or results of operations. For more information regarding silica-related litigation, see Part I, Item 1A "Risk Factors—Risks Related to Our Business—Silica-related health issues and litigation could have a material adverse effect on our business, reputation or results of operations."

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ITEM 4. MINE SAFETY DISCLOSURES

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

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

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PART II.

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Shares of our common stock, traded under the symbol "SLCA," have been publicly traded since February 1, 2012, when our common stock was listed and began trading on the NYSE.

The following table sets forth for the indicated periods, the high and low sales prices, per share, for our common stock on the NYSE:

| | Sales Price | |
|----------------|-------------|---------|
| | High | Low |
| Fiscal 2017 | | |
| First Quarter | \$61.49 | \$42.27 |
| Second Quarter | \$50.39 | \$31.79 |
| Third Quarter | \$37.00 | \$24.26 |
| Fourth Quarter | \$36.55 | \$27.42 |
| Fiscal 2016 | | |
| First Quarter | \$22.72 | \$14.96 |
| Second Quarter | \$35.60 | \$22.14 |
| Third Quarter | \$46.56 | \$32.73 |
| Fourth Quarter | \$58.24 | \$42.47 |

Holders of Record

On February 16, 2018, there were 80,539,945 shares of our common stock outstanding, which were held by approximately 123 stockholders of record. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. For additional information related to ownership of our stock by certain beneficial owners and management, refer to Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Dividend

We pay dividends on our common stock after the Board declares them. Management and the Board remain committed to evaluating additional ways of creating shareholder value. Any determination to pay dividends and other distributions in cash, stock, or property by U.S. Silica in the future will be at the discretion of the Board and will be dependent on then-existing conditions, including our business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions including restrictive covenants contained in debt agreements and other factors.

In 2016 and 2017, we declared dividends as follows:

| Declaration date | Dividends per common share |
|-------------------|-------------------------------|
| February 22, 2016 | \$ 0.0625 |
| May 5, 2016 | \$ 0.0625 |
| July 21, 2016 | \$ 0.0625 |
| November 3, 2016 | \$ 0.0625 |
| February 16, 2017 | \$ 0.0625 |
| May 4, 2017 | \$ 0.0625 |
| July 21, 2017 | \$ 0.0625 |
| November 2, 2017 | \$ 0.0625 |

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Purchase of Equity Securities by the Issuer and Affiliated Purchasers

From time to time, we repurchase our common stock in the open market pursuant to programs approved by the Board. We may repurchase our common stock for a variety of reasons, such as to offset dilution related to equity-based incentives and to optimize our capital structure.

In November 2017, the Board authorized us to repurchase up to \$100.0 million of our common stock through December 11, 2018. We are authorized to repurchase, from time to time, shares of our outstanding common stock on the open market or in privately negotiated transactions. Stock repurchases will be funded using our available liquidity. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase program may be suspended, modified or discontinued at any time and we have no obligation to repurchase any additional amount of our common stock under the program. We intend to make all repurchases in compliance with applicable regulatory guidelines and to administer the plan in accordance with applicable laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. As part of the program, as of December 31, 2017, we have repurchased 727,081 shares of our common stock at an average price of \$34.41 and are authorized to repurchase up to an additional \$75.0 million of our common stock.

We consider several factors in determining when to make share repurchases including, among other things, our cash needs, the availability of funding, our future business plans and the market price of our stock. We expect that cash provided by future operating activities, as well as available liquidity, will be the sources of funding for our share repurchase program. Based on the anticipated amounts to be generated from those sources of funds in relation to the remaining authorization approved by our Board under the June 2012 share repurchase program, we do not expect that future share repurchases will have a material impact on our short-term or long-term liquidity.

The following table presents the total number of shares of our common stock that we purchased during the fourth quarter of 2017, the average price paid per share, the number of shares that we purchased as part of our publicly announced repurchase program, and the approximate dollar value of shares that still could have been purchased at the end of the applicable fiscal period pursuant to our share repurchase program:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾ | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program ⁽¹⁾ |
|---------------|----------------------------------|------------------------------|---|---|
| October 2017 | 164 | ⁽²⁾ \$ 28.14 | — | |
| November 2017 | 12,923 | ⁽²⁾ \$ 33.21 | — | |
| December 2017 | — | ⁽²⁾ \$ — | 727,081 | |
| Total | 13,087 | \$ 33.14 | 727,081 | \$ 75,000,000 |

⁽¹⁾ A program covering the repurchase of up to \$100 million of our common stock was approved by the Board in November 2017. This program expires on December 11, 2018.

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

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Securities Authorized for Issuance under Equity Compensation Plans

The table below contains information about securities authorized for issuance under our Amended and Restated 2011 Incentive Compensation Plan (the "2011 Plan") as of December 31, 2017. The features of the 2011 Plan are disclosed further in Note N - Equity-based Compensation to our consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights (A) | Weighted-average exercise price of outstanding options, warrants and rights (B) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) (C) |
|--|---|---|---|
| Equity compensation plans approved by security holders | 908,919 | \$ 28.46 | 4,452,870 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 908,919 | 28.46 | 4,452,870 |

U.S. Silica Holdings, Inc. Comparative Stock Performance Graph

The information contained in this U.S. Silica Holdings, Inc. Comparative Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.

The graph below compares the cumulative total shareholder return on our common stock to the cumulative total return on the Russell 3000 index, the Standard and Poor's SmallCap 600 Energy Sector index and the Standard and Poor's SmallCap 600 GICS Oil & Gas Equipment & Services Sub-Industry index, assuming \$100 was invested on January 31, 2012, the first day our stock traded on the NYSE, and the reinvestment of all dividends. We have elected to add the Standard and Poor's SmallCap 600 Energy Sector index this year because this index is used in relative total shareholder return performance share units that we have granted to employees.

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ITEM 6. SELECTED FINANCIAL DATA

The following table and discussion sets forth our consolidated statement of operations data for the periods presented. The results of operations by segment are discussed in further detail following this combined overview.

| | Year Ended December 31, | | | | |
|--|---|---------------------|------------|---------------------|-----------|
| | 2017 ⁽⁵⁾ | 2016 ⁽⁵⁾ | 2015 | 2014 ⁽²⁾ | 2013 |
| | (amounts in thousands, excluding per share and per ton figures) | | | | |
| Statement of Operations Data: | | | | | |
| Sales | \$1,240,851 | \$559,625 | \$642,989 | \$876,741 | \$545,985 |
| Operating income (loss) | 168,511 | (53,531) | 26,672 | 176,167 | 111,241 |
| Income (loss) before income taxes | 136,526 | (77,745) | 117 | 158,723 | 96,017 |
| Net income (loss) | 145,206 | (41,056) | 11,868 | 121,540 | 75,256 |
| Earnings (loss) per share - basic | \$1.79 | \$(0.63) | \$0.22 | \$2.26 | \$1.42 |
| Earnings (loss) per share - diluted | \$1.77 | \$(0.63) | \$0.22 | \$2.24 | \$1.41 |
| Cash dividends declared per common share | \$0.25 | \$0.25 | \$0.44 | \$0.50 | \$0.38 |
| Statement of Cash Flows Data: | | | | | |
| Net cash provided by (used in): | | | | | |
| Operating activities | \$238,156 | \$381 | \$61,492 | \$171,411 | \$46,451 |
| Investing activities | (507,672) | (201,657) | 49 | (190,906) | (135,113) |
| Financing activities | \$(57,142) | \$635,424 | \$(47,530) | \$208,964 | \$105,896 |
| Other Financial Data: | | | | | |
| Capital expenditures | \$384,622 | \$46,450 | \$53,646 | \$92,609 | \$60,470 |
| Operating Data: | | | | | |
| Total tons sold | 15,128 | 9,875 | 10,025 | 10,927 | 8,161 |
| Average selling price (per ton) | \$82.02 | \$56.67 | \$64.14 | \$80.24 | \$66.90 |
| Segment cost of goods sold (per ton) ⁽¹⁾ | 56.19 | 47.51 | 48.27 | 51.20 | 42.04 |
| Oil & Gas Proppants: | | | | | |
| Sales | \$1,020,365 | \$362,550 | \$430,435 | \$662,770 | \$347,439 |
| Segment contribution margin | 301,972 | 11,445 | 88,928 | 256,137 | 145,916 |
| Industrial & Specialty Products: | | | | | |
| Sales | \$220,486 | \$197,075 | \$212,554 | \$213,971 | \$198,546 |
| Segment contribution margin | 88,781 | 78,988 | 70,137 | 61,102 | 56,983 |
| Balance Sheet Data: | | | | | |
| Cash, cash equivalents and short-term investments ⁽³⁾ | \$384,567 | \$711,225 | \$298,926 | \$338,209 | \$148,577 |
| Total assets ⁽³⁾⁽⁴⁾ | 2,307,283 | 2,073,220 | 1,108,619 | 1,226,727 | 853,547 |
| Total long-term debt, including current portion ⁽⁴⁾ | 489,075 | 494,175 | 491,705 | 495,086 | 366,196 |
| Total liabilities ⁽³⁾⁽⁴⁾ | 910,777 | 799,930 | 724,452 | 822,911 | 544,253 |
| Total stockholders' equity | \$1,396,506 | \$1,273,290 | \$384,167 | \$403,816 | \$309,294 |

(1) Segment cost of goods sold (per ton) equals segment cost of goods sold, divided by total tons sold.

We acquired Cadre on July 31, 2014, and included Cadre's financial position and results of operations in our 2014 financial information above. As a result, our 2014 financial information may not be comparable to prior years. See (2) Note D - Business Combinations to our Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for more information related to this acquisition.

In 2015, we changed the presentation of book overdraft from being classified as a liability to a reduction to our (3) cash and cash equivalents. 2014 and 2013 cash and cash equivalents amounts presented are recasted to reflect this change.

(4) 2014 and 2013 amounts include the reclassification of deferred debt issuance costs related to the adoption of ASU 2015-03. See Note B - Summary of Significant Accounting Policies to our Consolidated Financial Statements in

Item 8 of this Annual Report on Form 10-K for more information.

(5) We acquired White Armor and MS Sand on April 1, 2017 and August 16, 2017, respectively, and NBI and Sandbox on August 16, 2016 and August 22, 2016, respectively, and have included their financial position and results of operations in our 2017 and 2016 financial information above. As a result, our 2017 and 2016 financial information may not be comparable to prior years. See Note D - Business Combinations to our Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for more information related to this acquisition.

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ITEM 7. 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 Item 6, "Selected Financial Data", the description of the business appearing in Item 1, "Business", of this report, and the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K and the related notes included elsewhere in this report. This discussion contains forward-looking statements as a result of many factors, including those set forth under Item 1, "Business—Forward-Looking Statements" and Item 1A, "Risk Factors", and elsewhere in this Annual Report on Form 10-K. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from those discussed in or implied by forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in Item 1A, "Risk Factors."

Overview

We are one of the largest domestic producers of commercial silica, a specialized mineral that is a critical input into a variety of attractive end markets. During our 118-year history, we have developed core competencies in mining, processing, logistics and materials science that enable us to produce and cost-effectively deliver over 239 products to customers across these markets. As of December 31, 2017, we operate 19 production facilities across the United States and control 765 million tons of reserves of commercial silica, which can be processed to make 323 million tons of finished products that meet American Petroleum Institute (API) frac sand specifications.

Our operations are organized into two segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products. Our segments are complementary because our ability to sell to a wide range of customers across end markets allows us to maximize recovery rates in our mining operations, optimize our asset utilization and reduce the cyclical nature of our earnings.

Acquisitions

On August 16, 2016, we completed the acquisition of New Birmingham, Inc. ("NBI"), the ultimate parent company of NBR Sand, LLC ("NBR"), a regional sand producer located near Tyler, Texas. The acquisition of NBI increased our regional frac sand product offering in our Oil & Gas Proppants segment. On August 22, 2016, we completed the acquisition (the "Sandbox Acquisition") of Sandbox Enterprises, LLC ("Sandbox") as a "last mile" logistics solution for frac sand in the oil and gas industry.

On April 1, 2017, we completed the acquisition of White Armor (the "White Armor acquisition"), a product line of cool roof granules used in industrial roofing applications. On August 16, 2017, we completed the acquisition of Mississippi Sand, LLC ("MS Sand"). MS Sand is a frac sand mining and logistics company based in St. Louis, Missouri.

See accompanying Note D - Business Combinations to our Consolidated Financial Statements in Part 2, Item 8 of this Annual Report on Form 10-K for pro forma results and other details regarding these acquisitions.

Recent Trends and Outlook

Oil and gas proppants end market trends

Increased demand for frac sand has historically been driven by the growth in the use of hydraulic fracturing as a means to extract hydrocarbons from shale formations. According to the IHS Markit Proppant IQ, Proppant Market Analysis 2017 Q4 release, published November 2017, U.S. raw sand proppant demand is expected to be 33% higher in 2017 than its previous peak in 2014, and is expected to continue to grow.

Declines in oil prices beginning in 2015 reduced oil and gas drilling and completion activity in North America during 2015 and most of 2016. As of September 30, 2016, the U.S. land rig count had fallen over 70% from its peak in 2014. Demand for frac sand fell in conjunction with the rig count and activity levels, partially offset by higher proppant per well to optimize recovery and production rates. The North American market for proppant stabilized and began to grow during the last quarter of 2016 due to increases in North America oil and gas drilling and completion activity. As of December 31, 2017, U.S. land rig count increased 43% since December 31, 2016. Driven by the corresponding increase in frac sand demand, sales, tons sold and average selling price all increased sequentially during the three months ended December 31, 2017 compared to the three months ended September 30, 2017, June 30, 2017, and

March 31, 2017, as summarized below.

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| Amounts in thousands, except per ton data | December 31, 2017 | September 30, 2017 | June 30, 2017 | March 31, 2017 | Percentage change for Three Months Ended | | | | |
|---|-------------------|--------------------|---------------|----------------|--|--------------------------------------|----------------------------------|----------------------------------|--|
| | | | | | December 31, 2017 vs. September 30, 2017 | September 30, 2017 vs. June 30, 2017 | June 30, 2017 vs. March 31, 2017 | June 30, 2017 vs. March 31, 2017 | |
| Oil & Gas Proppants | | | | | | | | | |
| Sales | \$306,019 | \$286,369 | \$235,018 | \$192,959 | 7% | 22% | 22% | 22% | |
| Tons Sold | 3,171 | 3,147 | 2,745 | 2,532 | 1% | 15% | 8% | 8% | |
| Average Selling Price per Ton | \$96.51 | \$91.00 | \$85.62 | \$76.21 | 6% | 6% | 12% | 12% | |

However, if the recovery in oil and gas drilling and completion activity does not continue, demand for frac sand may decline, which could result in us selling fewer tons, selling tons at lower prices, or both. If we sell less frac sand, or sell frac sand at lower prices, our revenue, net income, cash generated from operating activities, and liquidity would be adversely affected. We could evaluate actions to reduce cost and improve liquidity. For instance, depending on market conditions, we could implement additional cost improvement projects or reduce our capital spending by delaying or canceling capital projects.

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

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

Industrial and specialty products end market trends

Demand in the industrial and specialty products end markets is relatively stable and is primarily influenced by key macroeconomic drivers such as housing starts, light vehicle sales, repair and remodel activity and industrial production. The primary end markets served by our production used in Industrial & Specialty Products are foundry, building products, sports and recreation, glassmaking and filtration. We have been increasing our value-added product offerings in the industrial and specialty products end markets. These new higher margin product sales have increased our Industrial & Specialty Products segment's profitability. For instance, on April 1, 2017, we completed the White Armor acquisition, a product line of cool roof granules used in industrial roofing applications.

Our Strategy

The key drivers of our growth strategy include:

- Expand our Oil & Gas Proppants production capacity and product portfolio. We continue to consider and execute several initiatives to increase our frac sand production capacity and augment our proppant product portfolio. We are evaluating Greenfield opportunities and are expanding production capacities and maximizing production efficiencies of our existing facilities.

- Increase our presence and product offering in industrial and specialty products end markets. Our research and business development teams work in tandem with our customers to develop new products, which we expect will either increase our presence and market share in certain industrial and specialty products end markets or allow us to enter new markets. We manage a robust pipeline of new products in various stages of development. Some of these products have already come to market, resulting in a positive impact on our financial results. We continue to work toward offering more value-driven industrial and specialty products that will enhance the profitability of the business. For instance, on April 1, 2017, we completed the White Armor acquisition, a product line of cool roof granules used in

industrial roofing applications.

Optimize product mix and further develop value-added capabilities to maximize margins. We continue to actively manage our product mix at each of our plants to ensure we maximize our profit margins. This requires us to use our proprietary expertise in balancing key variables, such as mine geology, processing capacities, transportation availability, customer requirements and pricing. We expect to continue investing in ways to increase the value we

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provide to our customers by expanding our product offerings, improving our supply chain management, upgrading our information technology, and creating a world class customer service model.

Expand our supply chain network and leverage our logistics capabilities to meet our customers' needs in each strategic oil and gas basin. We continue to expand our transload network to ensure product is available to meet the in-basin needs of our customers. This approach allows us to provide strong customer service and puts us in a position to take advantage of opportunistic spot market sales. Our plant sites are strategically located to provide access to key Class I railroads, which enables us to cost effectively send product to each of the strategic basins in North America. We can ship product by truck, barge and rail with an ability to connect to short-line railroads as necessary to meet our customers' evolving in-basin product needs. We believe that our supply chain network and logistics capabilities are a competitive advantage that enables us to provide superior service for our customers. We expect to continue to make strategic investments and develop partnerships with transload operators and transportation providers that will enhance our portfolio of supply chain services that we can provide to customers. As of December 31, 2017, we have storage capacity at 56 transloads located near all of the major shale basins in the United States. Our acquisition of Sandbox extends our delivery capability directly to our customers' wellhead locations, which increases efficiency and provides a lower cost logistics solution for our customers. Sandbox has operations in Texas (Midland/Odessa, Kenedy, Dallas/Fort Worth, Tyler); Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado; Oklahoma City, Oklahoma; Cambridge, Ohio and Mansfield, Pennsylvania, where its major customers are located. Evaluate both Greenfield and Brownfield expansion opportunities and other acquisitions. We expect to continue leveraging our reputation, processing capabilities and infrastructure to increase production, as well as explore other opportunities to expand our reserve base.

We may accomplish this by developing Greenfield projects, where we can capitalize on our technical knowledge of geology, mining and processing and our strong reputation within local communities. For instance, in May 2017, we purchased a new Greenfield site in Crane County, Texas, which depending on market conditions, could become operational as early as the first quarter of 2018 and add approximately 4 million tons of annual frac sand capacity. Additionally, in July 2017, we purchased a new Greenfield site near Lamesa, Texas, which depending on market conditions, could become operational as early as the second quarter of 2018 and add approximately 2.6 million tons of annual frac sand capacity.

We are continuing to actively pursue acquisitions to grow by taking advantage of our asset footprint, our management's experience with high-growth businesses, and our strong customer relationships. Our primary objective is to acquire assets with differing levels of frac sand qualities that are complementary to our Oil & Gas Proppants segment, with a focus on mining, processing and logistics to further enhance our market presence. We prioritize acquisitions that provide opportunities to realize synergies (and, in some cases, the acquisition may be immediately accretive assuming synergies), including entering new geographic and frac sand product markets, acquiring attractive customer contracts and improving operations. On August 16, 2016, we completed our acquisition of NBI, the ultimate parent company of NBR Sand, LLC, a regional sand producer located near Tyler, Texas. On August 22, 2016, we completed the acquisition of Sandbox, a provider of logistics solutions and technology for the transportation of proppant used in hydraulic fracturing in the oil and gas industry. On August 16, 2017, we completed our acquisition of MS Sand, a frac sand mining and logistics company based in St. Louis, Missouri. We are in active discussions to acquire additional assets fitting this strategy, which, if completed, could be "significant" under Regulation S-X and could require additional sources of financing. There can be no assurance that we will reach a definitive agreement and complete any of these potential transactions. See the risk factors disclosed in Item 1A of Part I of this Annual Report on Form 10-K, including the risk factor entitled, "If we cannot successfully complete acquisitions or integrate acquired businesses, our growth may be limited and our financial condition may be adversely affected."

Maintain financial strength and flexibility. We intend to maintain financial strength and flexibility to enable us to better manage through industry downturns and pursue acquisitions and new growth opportunities as they arise. In March 2016, we completed a public offering of 10,000,000 shares of our common stock for total cash net proceeds of \$186.2 million. In November 2016, we executed another offering of 10,350,000 shares of common stock raising net cash proceeds of \$467.0 million. As of December 31, 2017, we had \$384.6 million of cash on hand and \$45.5 million of availability under our revolving credit facility (the "Revolver").

How We Generate Our Sales

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We derive our sales primarily by mining and processing minerals that our customers purchase for various uses. Our sales are primarily a function of the price per ton and the number of tons sold. The price invoiced reflects product, transportation and additional services as applicable, such as storage and transloading the product from railcars to trucks for delivery to the customer site. We invoice the majority of our customers on a per shipment basis, although for some larger customers, we consolidate invoices weekly or monthly. Service sales are billed periodically after services are completed. Depending on the types of services, the total amount billed includes labor, equipment costs, freight, handling and other costs. Our ten largest customers accounted for approximately 58%, 52% and 56% of total sales during the years ended December 31, 2017, 2016 and 2015, respectively. Sales to two of our customers accounted for 15% and 12% of our total sales during the years ended December 31, 2017. Sales to one of our customers accounted for 13% of our total sales during the year ended December 31, 2016. Sales to two of our customers accounted for 13% and 12% of our total sales during the year ended December 31, 2015. No other customers accounted for 10% or more of our total sales. At December 31, 2017, two of our customers' accounts receivable represented 19% and 11% of our total accounts receivable, net of allowance. At December 31, 2016, two of our customers' accounts receivable represented 14% and 10% of our total accounts receivable, net of allowance. No other customers accounted for 10% or more of our total accounts receivable.

We primarily sell our products under short-term price agreements or at prevailing market rates. For a number of customers, we sell under long-term, competitively-bid contracts. Some customers provide advance payments for future shipments. A percentage of these advance payments is recognized as revenue with each ton of applicable product shipped to the customer. 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 this Annual Report on Form 10-K—"A large portion of our sales is generated by our top ten customers, and the loss of, or significant reduction in, purchases by our largest customers could adversely affect our operations," these customers may not continue to purchase the same levels of product in the future due to a variety of reasons, contract requirements notwithstanding.

As of December 31, 2017, we have 23 minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2018 and 2022. As of December 31, 2016, we had seven minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2017 and 2019. These agreements define, among other commitments, the volume of product that our customers must purchase, the volume of product that we must provide and the price that we will charge and that our customers will pay for each product. Prices under these agreements are generally fixed and subject to certain contractual adjustments. Sometimes these agreements may undergo negotiations regarding pricing and volume requirements, which may occur more often in volatile market conditions. While these negotiations continue, we may deliver sand at prices or at volumes below the requirements in our existing supply agreements.

Collectively, sales to customers with minimum purchase supply agreements accounted for 32% and 22% of our total company sales during the years ended December 31, 2017 and 2016, respectively. Although sales under minimum purchase supply agreements may result in us realizing lower margins than we otherwise might during periods of high market prices, we believe such lower margins are offset by the benefits derived from the product mix and sales volume stability afforded by such supply agreements, which helps us lower market risk arising from adverse changes in spot prices and market conditions.

In the industrial and specialty 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 labor costs, electricity and drying fuel costs, maintenance and repair costs for our mining and processing equipment and facilities and transportation costs. Transportation and related costs include freight charges, fuel surcharges, transloading fees, switching fees, railcar lease costs, demurrage costs, storage fees and labor costs. We believe the majority of our operating costs are relatively

stable in price, but can vary significantly based on the volume of product produced. We benefit from owning the majority of the mineral deposits that we mine and having long-term mineral rights leases or supply agreements for our other primary sources of raw material, which limit royalty payments.

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

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How We Evaluate Our Business

Our management team evaluates our business using a variety of financial and operational metrics. Our business is organized into two segments, Oil & Gas Proppants and Industrial & Specialty Products. We evaluate the performance of these segments based on their tons sold, average selling price and contribution margin earned. Additionally, we consider a number of factors in evaluating the performance of the business as a whole, including total tons sold, average selling price, segment contribution margin, and Adjusted EBITDA. We view these metrics as important factors in evaluating our profitability and review these measurements frequently to analyze trends and make decisions.

Segment Contribution Margin

Segment contribution margin, a non-GAAP measure, is a key metric that management uses to evaluate our operating performance and to determine resource allocation between segments. Segment contribution margin excludes certain corporate costs not associated with the operations of the segment. These unallocated costs include costs that are related to corporate functional areas such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources.

Segment contribution margin is not a measure of our financial performance under GAAP and should not be considered an alternative to measures derived in accordance with GAAP. For more details on the reconciliation of segment contribution margin to its most directly comparable GAAP financial measure, net income (loss), see Note T - Segment Reporting to our Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP measure, is included in this report because it is a key metric used by management to assess our operating performance and by our lenders to evaluate our covenant compliance. Adjusted EBITDA excludes certain income and/or costs, the removal of which improves comparability of operating results across reporting periods. Our target performance goals under our incentive compensation plan are tied, in part, to our Adjusted EBITDA. In addition, our Revolver contains a consolidated total net leverage ratio that we must meet as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 25% of the Revolver commitment, which is calculated based on our Adjusted EBITDA. Noncompliance with the financial ratio covenant contained in the Revolver could result in the acceleration of our obligations to repay all amounts outstanding under the Revolver and the Term Loan. Moreover, the Revolver and the Term Loan contain covenants that restrict, subject to certain exceptions, our ability to make permitted acquisitions, incur additional indebtedness, make restricted payments (including dividends) and retain excess cash flow based, in some cases, on our ability to meet leverage ratios calculated based on our Adjusted EBITDA.

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

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

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| | Year Ended December 31, | | |
|---|-------------------------|------------|-----------|
| | 2017 | 2016 | 2015 |
| | (amount in thousands) | | |
| Net income (loss) | \$145,206 | \$(41,056) | \$11,868 |
| Total interest expense, net of interest income | 25,871 | 25,779 | 26,578 |
| Benefit for taxes | (8,680) | (36,689) | (11,751) |
| Total depreciation, depletion and amortization expenses | 97,233 | 68,134 | 58,474 |
| EBITDA | 259,630 | 16,168 | 85,169 |
| Non-cash incentive compensation ⁽¹⁾ | 25,050 | 12,107 | 3,857 |
| Post-employment expenses (excluding service costs) ⁽²⁾ | 1,231 | 1,040 | 3,335 |
| Business development related expenses ⁽³⁾ | 15,288 | 8,206 | 10,701 |
| Other adjustments allowable under our existing credit agreements ⁽⁴⁾ | 6,504 | 2,033 | 6,446 |
| Adjusted EBITDA | \$307,703 | \$39,554 | \$109,508 |

Reflects equity-based compensation expense.

⁽¹⁾ Includes net pension cost and net post-retirement cost relating to pension and other post-retirement benefit obligations during the applicable period, but in each case excluding the service cost relating to benefits earned during such period. See Note P - Pension and Post-retirement Benefits to our Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

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

Reflects miscellaneous adjustments permitted under our existing credit agreement, including such items as restructuring costs for actions that will provide future cost savings.

The year ended December 31, 2017 amount includes a

(4) contract restructuring cost of \$6.3 million.

Restructuring costs were \$3.5 million and \$4.8 million, respectively, for the years ended December 31, 2016 and 2015.

The year ended December 31, 2016 amount includes a gain on insurance settlement of \$1.5 million.

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Results of Operations For the Years Ended December 31, 2017, 2016 and 2015

Sales

| | For the Years Ended December 31, | | | Percent Change | |
|--|--|-----------|-----------|----------------|-------------|
| | 2017 | 2016 | 2015 | '17 vs. '16 | '16 vs. '15 |
| | (amounts in thousands, except per ton data) | | | | |
| Sales: | | | | | |
| Oil & Gas Proppants | \$1,020,365 | \$362,550 | \$430,435 | 181 % | (16) % |
| Industrial & Specialty Products | 220,486 | 197,075 | 212,554 | 12 % | (7) % |
| Total Sales | \$1,240,851 | \$559,625 | \$642,989 | 122 % | (13) % |
| Tons: | | | | | |
| Oil & Gas Proppants | 11,595 | 6,442 | 6,082 | 80 % | 6 % |
| Industrial & Specialty Products | 3,533 | 3,433 | 3,943 | 3 % | (13) % |
| Total Tons | \$15,128 | 9,875 | 10,025 | 53 % | (1) % |
| Average Selling Price per Ton: | | | | | |
| Oil & Gas Proppants | \$88.00 | \$56.28 | \$70.77 | 56 % | (20) % |
| Industrial & Specialty Products | \$62.41 | \$57.41 | \$53.91 | 9 % | 6 % |
| Overall Average Selling Price per Ton: | \$82.02 | \$56.67 | \$64.14 | 45 % | (12) % |

2017 vs. 2016

Total sales increased 122% for the year ended December 31, 2017 compared to 2016, driven by a 53% increase in total tons sold and a 45% increase in overall average selling price. Tons sold in-basin represented 49% and 41% of total company tons sold for the years ended December 31, 2017 and 2016, respectively.

The increase in total sales was driven by Oil & Gas Proppants sales, which increased 181% for the year ended December 31, 2017 compared to 2016. Oil & Gas Proppants tons sold increased 80% and average selling price increased 56%. These increases were driven by growth in demand for our frac sand and the acquisition of Sandbox, NBI and MS Sand.

Industrial & Specialty Products sales increased 12% for the year ended December 31, 2017 compared to 2016 driven by a 3% increase in tons sold and a 9% increase in average selling price. The increase in tons sold is mainly due to additional business with existing customers. The increase in average selling price was primarily a result of new higher-margin product sales and price increases.

2016 vs. 2015

Total sales decreased 13% for the year ended December 31, 2016 compared to 2015, driven by a 12% decrease in overall average selling price and an 1% decrease in total tons sold. Tons sold in-basin represented 41% and 36% of total tons sold for the years ended December 31, 2016 and 2015, respectively. The decrease in total sales was driven by decreases in sales for both segments.

The decrease in Oil & Gas Proppants sales was due to a 20% decrease in average selling price partially offset by a 6% increase in tons sold for the year ended December 31, 2016 compared to 2015. The increase in tons sold was driven by sales from our newly acquired businesses and our market share gain efforts, which were partially offset by decrease in market demand. Average selling price decreased as a result of the decrease in frac sand demand.

Industrial & Specialty Products sales decreased by 7% for the year ended December 31, 2016 compared to 2015. Tons sold decreased 13%, driven by our strategic shift among customers and products. Average selling price increased 6%, which was primarily a result of new higher-margin product sales and price increases.

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Cost of Sales

2017 vs. 2016

Cost of sales increased \$390.2 million, or 82%, to \$867.5 million for the year ended December 31, 2017 compared to \$477.3 million for the year ended December 31, 2016. As a percentage of sales, cost of sales decreased to 70% for the year ended December 31, 2017 compared to 85% for the same period in 2016. These changes result from the main components of cost of sales as discussed below.

We incurred \$490.8 million and \$249.7 million of transportation and related costs for the years ended December 31, 2017 and 2016, respectively. This increase was due to increased tons sold through our transloads and the Sandbox acquisition. As a percentage of sales, transportation and related costs decreased to 40% for the year ended December 31, 2017 compared to 45% for the same period in 2016.

We incurred \$137.2 million and \$83.2 million of operating labor costs for the years ended December 31, 2017 and 2016, respectively. The \$54.0 million increase in labor costs incurred was primarily due to more tons sold and incremental costs related to Sandbox operations. As a percentage of sales, operating labor costs represented 11% for the year ended December 31, 2017 compared to 15% for the same period in 2016.

We incurred \$35.6 million and \$26.7 million of electricity and drying fuel (principally natural gas) costs for the years ended December 31, 2017 and 2016, respectively. The increase in electricity and drying fuel costs incurred was due to more tons sold. As a percentage of sales, electricity and drying fuel costs represented 3% for the year ended December 31, 2017 compared to 5% for the same period in 2016.

We incurred \$60.9 million and \$34.3 million of maintenance and repair costs for the years ended December 31, 2017 and 2016, respectively. The increase in maintenance and repair costs incurred was mainly due to higher production volume and incremental costs related to Sandbox operations and the addition of our Tyler, Texas facility. As a percentage of sales, maintenance and repair costs represented 5% for the year ended December 31, 2017 compared to 6% for the same period in 2016.

2016 vs. 2015

Cost of sales decreased \$17.8 million, or 4%, to \$477.3 million for the year ended December 31, 2016 compared to \$495.1 million for the year ended December 31, 2015. The decrease was mainly a result of fewer tons sold. As a percentage of sales, costs of sales increased to 85% for the year ended December 31, 2016 compared to 77% for the same period in 2015. These changes result from the main components of cost of sales as discussed below.

We incurred \$249.7 million and \$258.1 million of transportation and related costs for the years ended December 31, 2016 and 2015, respectively. These costs remained relatively flat due to our transportation and logistics cost improvement efforts, which were mostly offset by incremental costs related to NBI and Sandbox operations. As a percentage of sales, transportation and related costs increased to 45% for the year ended December 31, 2016 compared to 40% in 2015 primarily due to a decrease in average selling price.

We incurred \$83.2 million and \$80.1 million of operating labor costs for the years ended December 31, 2016 and 2015, respectively. The \$3.1 million increase in labor costs incurred was primarily due to incremental costs related to NBI and Sandbox operations, partially offset by fewer tons sold and the impact of our restructuring efforts. As a percentage of sales, operating labor costs represented 15% for the year ended December 31, 2016 compared to 12% in 2015.

We incurred \$26.7 million and \$28.0 million of electricity and drying fuel (principally natural gas) costs for the years ended December 31, 2016 and 2015, respectively. The decrease in electricity and drying fuel costs incurred was mainly driven by fewer tons sold and strategic shift among products. As a percentage of sales, electricity and drying fuel costs represented 5% and 4% for the years ended December 31, 2016 and 2015, respectively.

We incurred \$34.3 million and \$37.6 million of maintenance and repair costs for the years ended December 31, 2016 and 2015, respectively. The decrease was a result of our cost improvement efforts and fewer tons sold. As a percentage of sales, maintenance and repair costs remained flat at 6% for the year ended December 31, 2016 compared to 2015.

Segment Contribution Margin

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2017 vs. 2016

Oil & Gas Proppants contribution margin increased by \$290.5 million to \$302.0 million for the year ended December 31, 2017 compared to \$11.4 million for the year ended December 31, 2016, driven by a \$657.8 million increase in revenue, partially offset by 105% higher cost of sales.

Industrial & Specialty Products contribution margin increased by \$9.8 million, or 12%, to \$88.8 million for the year ended December 31, 2017 compared to \$79.0 million for the year ended December 31, 2016, driven by a \$23.4 million increase in revenue, partially offset by 12% higher cost of sales.

2016 vs. 2015

Oil & Gas Proppants contribution margin decreased by \$77.5 million, or 87%, to \$11.4 million for the year ended December 31, 2016 compared to \$88.9 million for the year ended December 31, 2015, driven by a \$67.9 million decrease in revenue driven by a decrease in pricing and \$9.6 million increase in cost of goods sold due to more tons sold.

Industrial & Specialty Products contribution margin increased by \$8.9 million, or 13%, to \$79.0 million for the year ended December 31, 2016 compared to \$70.1 million for the year ended December 31, 2015, primarily driven by increased higher-margin products sales as a percentage of total sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by \$39.9 million, or 59%, to \$107.6 million for the year ended December 31, 2017 compared to \$67.7 million for the year ended December 31, 2016. The increase was due to the following factors:

Compensation related expense increased by \$30.8 million for the year ended December 31, 2017 compared to 2016, primarily due to increased equity-based compensation and higher employee headcount due to our acquisitions of NBI, Sandbox and MS Sand.

Bad debt expense increased by \$2.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016, mainly due to increased sales.

Business development related expense increased by \$7.1 million to \$15.3 million for the year ended December 31, 2017 compared to \$8.2 million for the year ended December 31, 2016. The increase was due to our growth and expansion initiatives, including costs related to our MS Sand acquisition.

In total, our selling, general and administrative costs represented approximately 9% and 12% of our sales for the years ended December 31, 2017 and 2016, respectively.

Selling, general and administrative expenses increased by \$4.9 million, or 8%, to \$67.7 million for the year ended December 31, 2016 compared to \$62.8 million for the year ended December 31, 2015. The increase was due to the following factors:

Compensation related expense increased by \$11.2 million for the year ended December 31, 2016 compared to 2015, primarily due to increased equity-based compensation and incremental compensation expense related to NBI and Sandbox employees.

Bad debt expense decreased by \$0.9 million for the year ended December 31, 2016 compared to the year ended December 31, 2015, mainly due to a 13% decrease in sales and a recovery of a previously reserved receivable.

Business development related expense decreased by \$2.5 million to \$8.2 million for the year ended December 31, 2016 compared to \$10.7 million for the year ended December 31, 2015, primarily due to a \$6.5 million settlement of an unfavorable arbitration ruling during the year ended December 31, 2015 partially offset by our NBI and Sandbox acquisition-related costs during the year ended December 31, 2016.

In total, our selling, general and administrative costs represented approximately 12% and 10% of our sales for the years ended December 31, 2016 and 2015, respectively.

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Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased by \$29.1 million, or 43%, to \$97.2 million for the year ended December 31, 2017 compared to \$68.1 million for the year ended December 31, 2016. This increase was driven by our acquisitions as well as other capital spending. Depreciation, depletion and amortization costs represented approximately 8% and 12% of our sales for the years ended December 31, 2017 and 2016, respectively.

Depreciation, depletion and amortization expense increased by \$9.6 million, or 17%, to \$68.1 million for the year ended December 31, 2016 compared to \$58.5 million for the year ended December 31, 2015. This increase was driven by incremental expense related to assets acquired in connection with the acquisitions of NBI and Sandbox as well as other capital spending. Depreciation, depletion and amortization costs represented approximately 12% and 9% of our sales for the years ended December 31, 2016 and 2015, respectively.

Operating Income (loss)

Operating income increased by \$222.0 million, or 415%, to \$168.5 million for the year ended December 31, 2017 compared to a \$(53.5) million operating loss for the year ended December 31, 2016. The increase was due to a 122% increase in sales, partially offset by a 82% increase in cost of sales, a 59% increase in selling, general and administrative expense, and a 43% increase in depreciation, depletion and amortization expense.

Operating income decreased by \$80.2 million, or 301%, to a \$(53.5) million operating loss for the year ended December 31, 2016 compared to \$26.7 million operating income for the year ended December 31, 2015. The decrease was due to a 13% decrease in sales, a 17% increase in depreciation, depletion and amortization expense and an 8% increase in selling, general and administrative expense, partially offset by a 4% decrease in cost of sales.

Interest Expense

Interest expense increased by \$3.4 million, or 12%, to \$31.3 million for the year ended December 31, 2017 compared to \$28.0 million for the year ended December 31, 2016, driven by additional long-term liabilities assumed in connection with our acquisitions of NBI and Sandbox.

Interest expense increased by \$0.7 million, or 3%, to \$28.0 million for the year ended December 31, 2016 compared to \$27.3 million for the year ended December 31, 2015, primarily driven by additional long-term liabilities assumed in connection with our acquisitions of NBI and Sandbox.

Provision for Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Because ASC 740-10-25-47 requires the effect of a change in tax laws or rates to be recognized as of the date of enactment, we are required to adjust deferred tax assets and liabilities as of December 22, 2017. Accordingly, we have recorded a deferred income tax benefit of \$35.8 million for the year ended December 31, 2017.

The provision for income taxes increased \$28.0 million, or 76%, to an \$8.7 million income tax benefit for the year ended December 31, 2017, compared to a \$36.7 million income tax benefit for the year ended December 31, 2016. The increase was due to increased profit before income taxes, offset primarily by the deferred income tax benefit of the Tax Act for the year ended December 31, 2017. The tax rate for the year ended December 31, 2017 is not predictive of future tax rates due to the deferred income tax benefit of the Tax Act. The tax rate would have been 22% without the tax effects of the deferred income tax benefit of the Tax Act, equity compensation tax benefits and the prior year tax return reconciliation which were all recorded discretely for the year ended December 31, 2017. See Note Q - Income Taxes in Part II, Item 8 to this Annual report on this Form 10-K.

The provision for income taxes decreased \$24.9 million, or 212%, to a \$36.7 million income tax benefit for the year ended December 31, 2016, compared to a \$11.8 million income tax benefit for the year ended December 31, 2015. The decreases were driven by a decreased pre-tax book income and the impact of favorable permanent tax differences including the adoption of ASU 2016-09. For more information related to ASU 2016-09, see Note Q - Income Taxes in Part II, Item 8 to this Annual report on this Form 10-K.

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

Net Income (loss)

Net income (loss) was \$145.2 million, \$(41.1) million and \$11.9 million for the years ended December 31, 2017, 2016 and 2015. 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 finance acquisitions. We have historically met our liquidity and capital investment needs with funds generated through operations. We have historically funded our acquisitions through cash on hand or borrowings under our credit facilities and equity 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. In March 2016, we completed a public offering of 10,000,000 shares of our common stock for total cash net proceeds of \$186.2 million. In November 2016, we executed another offering of 10,350,000 shares of common stock raising net cash proceeds of \$467.0 million. As of December 31, 2017, our working capital was \$489.3 million and we had \$45.5 million of availability under the Revolver.

We believe that cash on hand, cash generated through operations and cash generated from financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures, scheduled debt payments and any dividends declared for at least the next 12 months.

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

Cash Flow Analysis

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

| | As of December 31, | | |
|---------------------------------|--------------------|------------|-----------|
| | 2017 | 2016 | 2015 |
| Net cash provided by (used in): | | | |
| Operating activities | \$238,156 | \$ 381 | \$61,492 |
| Investing activities | (507,672) | (201,657) | 49 |
| Financing activities | (57,142) | 635,424 | (47,530) |

Net Cash Provided by Operating Activities

Operating activities consist primarily of net income adjusted for certain non-cash and working capital items.

Adjustments to net income for non-cash items include depreciation, depletion and amortization, deferred revenue, deferred

income taxes, equity-based compensation and bad debt provision. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally accounts receivable, inventories, prepaid expenses and other current assets, income taxes payable and receivable, accounts payable and accrued expenses.

Net cash provided by operating activities was \$238.2 million for the year ended December 31, 2017 compared to \$0.4 million for the year ended December 31, 2016. This \$237.8 million increase in cash provided by operations was primarily the result of a \$186.3 million increase in net income and \$51.5 million increase due to other components of operating activities.

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Net cash provided by operating activities was \$0.4 million for the year ended December 31, 2016 compared to \$61.5 million for the year ended December 31, 2015. This \$61.1 million decrease in cash provided by operations was primarily the result of a \$52.9 million decrease in net income and the impact of the other components of operating activities.

Net cash provided by operating activities was \$61.5 million for the year ended December 31, 2015 compared to \$171.4 million for the year ended December 31, 2014. This \$109.9 million decrease in cash provided by operations was primarily the result of a \$109.7 million decrease in net income and the impact of the other components of operating activities.

Net Cash Provided by / Used in Investing Activities

Investing activities consist primarily of cash consideration paid to acquire businesses, capital expenditures for growth and maintenance and proceeds from the sale and maturity of short-term investments.

Net cash used in investing activities was \$507.7 million for the year ended December 31, 2017. This was primarily due to capital expenditures of \$384.6 million, cash consideration of \$119.8 million paid for acquisition of businesses and capitalized intellectual property costs of \$3.6 million. Capital expenditures for 2017 were approximately \$49.6 million for a purchase of reserves in Lamesa, Texas, \$94.4 million for a purchase of reserves in Crane County, Texas, and \$240.6 million for engineering, procurement and construction of our growth projects and other maintenance and cost improvement capital projects.

Net cash used in investing activities was \$201.7 million for the year ended December 31, 2016. This was due to \$176.7 million of cash consideration that was paid for our NBI and Sandbox acquisitions and capital expenditures of \$46.5 million, offset by \$21.9 million in proceeds from sales and maturities of short-term investments. Capital expenditures in 2016 were made primarily for a purchase of reserves adjacent to our Ottawa, Illinois facility, engineering, procurement and construction of our growth projects and other maintenance and cost improvement capital projects.

Net cash provided by investing activities was \$49 thousand for the year ended December 31, 2015. This was due to \$53.6 million in proceeds from sales and maturities of short-term investments being almost fully offset by capital expenditures during the year. Capital expenditures in 2015 were \$53.6 million, which were made primarily for the engineering, procurement and construction of our growth projects including the Greenfield raw sand plant near Fairchild, Wisconsin and other maintenance and cost improvement capital projects.

Subject to our continuing evaluation of market conditions, we anticipate that our capital expenditures in 2018 will be in the range of \$300 million to \$350 million, which is primarily associated with growth projects and other maintenance and cost improvement capital projects. We expect to fund our capital expenditures through cash on our balance sheet, cash generated from our operations and cash generated from financing activities.

Net Cash Provided by / Used In Financing Activities

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

Net cash used in financing activities was \$57.1 million for the year ended December 31, 2017, driven by \$25.0 million in common stock repurchases, \$20.4 million of dividends paid, \$7.2 million of long-term debt payments, \$4.4 million of tax payments related to shares withheld for vested restricted stock and \$1.0 million of capital lease repayments partially offset by \$0.8 million of proceeds from employee stock options exercised.

Net cash provided by financing activities was \$635.4 million for the year ended December 31, 2016, driven by \$678.8 million of cash received from common stock issuances and \$4.8 million of proceeds from options exercised, both of which were partially offset by \$25.7 million of common stock issuances costs, \$15.1 million of dividends paid, \$5.2 million of long-term debt payments and \$1.6 million of tax payments related to shares withheld for vested restricted stock.

Net cash used in financing activities was \$47.5 million for the year ended December 31, 2015, driven by \$26.8 million in dividend payments, \$15.3 million in common stock repurchases and \$5.1 million in debt payments.

Share Repurchase Program

See Purchase of Equity Securities by the Issuer and Affiliated Purchasers in Part II, Item 5 and Note C - Capital Structure and Accumulated Comprehensive Income to our Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to our share repurchase program.

Credit Facilities

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See Note J - Debt and Capital Leases to our Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for information related to our credit facilities.

Off-Balance Sheet Arrangements

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

Contractual Obligations

As of December 31, 2017, the total of our future contractual cash commitments, including the repayment of our debt obligations under the Term Loan, is summarized as follows:

| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|--|------------------------|---------------------|-----------|--------------|-------------------------|
| | (amounts in thousands) | | | | |
| Principal payments on long-term debt ⁽¹⁾ | \$489,075 | \$5,100 | \$483,975 | \$— | \$— |
| Estimated interest payments on long-term debt | 51,210 | 20,139 | 31,071 | — | — |
| Minimum payments on customer note payable | 745 | 245 | 500 | — | — |
| Minimum payments on note payable secured by royalty interest | 24,740 | 1,750 | 3,500 | 3,500 | 15,990 |
| Retirement plans | 90,288 | 8,710 | 17,675 | 18,148 | 45,755 |
| Capital lease obligations | 706 | 706 | — | — | — |
| Operating leases | 305,192 | 69,892 | 113,456 | 66,218 | 55,626 |
| Minimum purchase obligations ⁽²⁾ | 78,027 | 28,099 | 29,106 | 9,622 | 11,200 |
| Other long-term liabilities ⁽³⁾ | 1,368 | 222 | 620 | 72 | 454 |
| Total Contractual Cash Obligations ⁽⁴⁾ : | \$1,041,351 | \$134,863 | \$679,903 | \$97,560 | \$129,025 |

(1) Excludes the unamortized debt issuance costs and original issue discount.

Includes estimated future minimum purchase obligation related to transload service agreements and transportation (2) service agreements. As of December 31, 2017, we accrued \$0.6 million in shortfall fees under these service agreements.

(3) Includes estimated future minimum royalty payments provided for under our mineral leases.

The above table excludes discounted asset retirement obligations in the amount of \$19.0 million at December 31, 2017, the majority of which have a settlement date beyond 2025, as well as indemnification for surety bonds issued (4) on our behalf discussed in Note R - Obligations Under Guarantees to our Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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 December 31, 2017, we had \$19.0 million accrued for future reclamation costs, as compared to \$11.2 million as of December 31, 2016. 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" and Item 3, "Legal Proceedings."

Critical Accounting Policies

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

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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 is included in Note B to the Consolidated Financial Statements in Item 8 of this 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.

Listed below are the accounting policies we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved, and that we believe are critical to the understanding of our operations.

Revenue Recognition

We derive most of our 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. The amount invoiced reflects product, transportation and/or additional services as applicable, such as storage, transloading the product from railcars to trucks and last mile logistics to the customer site.

Revenue is recognized from a sale when persuasive evidence of an arrangement exists, the price is fixed and determinable, the product has been delivered, legal title has been transferred to the customer or services are completed and collection of the sale is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as liabilities.

We primarily sell our products under short-term price agreements or at prevailing market rates. For a limited number of customers, we sell under long-term, minimum purchase supply agreements. As of December 31, 2017, we had 23 minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2018 and 2022. 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, which may often occur in volatile market conditions. While these negotiations continue, we may deliver sand at prices or at volumes below the requirements in our existing supply agreements.

We invoice the majority of our product customers on a per shipment basis, although for some larger customers, we consolidate invoices weekly or monthly. Standard terms are net 30 days, although extended terms are offered in competitive situations. Sales and other transaction taxes imposed by government entities are reported on a net basis. We invoice services periodically after the services are completed. Depending on the types of services, the total amount billed may include labor, equipment costs, freight, handling and other costs.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recognized at their invoiced amounts and do not bear interest. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due within 30 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, the customer's current ability to pay its obligation to us, and the condition of the general economy and the industry as a whole. Ongoing credit evaluations are performed. We write-off accounts receivable when they are deemed uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Impairment of Long-Lived Assets

We periodically evaluate whether current events or circumstances indicate that the carrying value of our long-lived assets, including property, plant and mine development, goodwill, trade names, intellectual property and customer relationships, to be held and used may not be recoverable. An estimate of future cash flows may be produced by the

long-lived assets, or the appropriate grouping of assets, is compared to the carrying value to determine whether an impairment exists. If an asset is determined to be impaired, the loss is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of

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estimated future cash flows. A detailed determination of the fair value may be carried forward from one year to the next if certain criteria have been met. We report an asset to be disposed of at the lower of its carrying value or its estimated net realizable value.

Factors we generally consider important in our evaluation and that could trigger an impairment review of the carrying value of long-lived assets include significant underperformance relative to expected operating trends, significant changes in the way assets are used, underutilization of our tangible assets, discontinuance of certain products by us or by our customers, a decrease in estimated mineral reserves, and significant negative industry or economic trends. The recoverability of the carrying value of our mineral properties is dependent upon the successful development, start-up and commercial production of our mineral deposit and the related processing facilities. Our evaluation of mineral properties for potential impairment primarily includes assessing the existence or availability of required permits and evaluating changes in our mineral reserves, or the underlying estimates and assumptions, including estimated production costs. Assessing the economic feasibility requires certain estimates, including the prices of products to be produced and processing recovery rates, as well as operating and capital costs.

Although we believe the carrying values of our long-lived assets were realizable as of the relevant balance sheet date, future events could cause us to conclude otherwise.

Mine Reclamation Costs and Asset Retirement Obligations

We recognize the fair value of any liability for conditional asset retirement obligations, including environmental remediation liabilities when incurred, which is generally upon acquisition, construction or development and/or through the normal operation of the asset, if sufficient information exists to reasonably estimate the fair value of the liability. These obligations generally include the estimated net future costs of dismantling, restoring and reclaiming operating mines and related mine sites, in accordance with federal, state, local regulatory and land lease agreement requirements. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and abandonment costs. The reclamation obligation is based on when spending for an existing environmental disturbance will occur. If the asset retirement obligation is settled for other than the carrying amount of the liability, a gain or loss is recognized on settlement. We review, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site in accordance with ASC guidance for accounting reclamation obligations.

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

Self-Insurance and Product Liability Claim Reserves

We are self-insured for various levels of employee health insurance coverage, workers' compensation and third party product liability claims alleging occupational disease. We purchase insurance coverage for claim amounts which exceed our self-insured retentions. Depending on the type of insurance, these self-insured retentions range from \$100,000 to \$500,000 per occurrence.

Our insurance reserves are accrued based on estimates of the ultimate cost of claims expected to occur during the covered period. These estimates are prepared with the assistance of outside actuaries and consultants. Our actuaries periodically review the volume and amount of claims activity, and based upon their findings, we adjust our insurance reserves accordingly. The ultimate cost of claims for a covered period may differ from our original estimates.

Employee Benefit Plans

We provide a range of benefits to our employees and retired employees, including pensions and post-retirement healthcare and life insurance benefits. We record annual amounts relating to these plans based on calculations specified by generally accepted accounting principles, which include various actuarial assumptions, including discount rates, assumed rates of returns, compensation increases, turnover rates, mortality table, and healthcare cost trend rates. We review the actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when it is deemed appropriate to do so. As required by U.S. generally accepted accounting

principles, the effect of the modifications is generally recorded or amortized over future periods. We believe that the assumptions utilized in recording our obligations under the plans, which are presented in Note P to our Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, are reasonable based on advice from our actuaries and information as to assumptions used by other employers.

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Equity-Based Compensation Expense

We recognize equity-based compensation expense in our consolidated statements of income using a fair value based method. Stock option fair value methods use a valuation model for shorter-term, market-traded financial instruments to theoretically value stock option grants even though they are not available for trading and are of longer duration. The Black-Scholes option-pricing model that we use includes the input of certain variables that are dependent on future expectations, including the expected lives of our options from grant date to exercise date, the volatility of our underlying common shares in the market over that time period, and the rate of dividends that we will pay during that time. Our estimates of these variables are made for the purpose of using the valuation model to determine an expense for each reporting period and are not subsequently adjusted. We recognize expense related to the estimated vesting of our performance share units granted. The estimated vesting of the performance share units is principally based on the probability of achieving certain financial performance levels during the vesting periods. For performance share units, the vesting of which is subject to market conditions, a binomial-lattice model (i.e., Monte Carlo simulation model) is used to fair value these awards at grant date. Unlike most of our expenses, the resulting equity-based compensation expense's impact on earnings is a non-cash charge that is never measured by, or adjusted based on, a cash outflow.

Taxes

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. This approach requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based upon the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the expenses are expected to reverse. Valuation allowances are provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We recognize a tax benefit associated with an uncertain tax position when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that it judges to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. The effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management. At the adoption date, we applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open. The adoption of this guidance did not have a material impact on our consolidated financial condition or results of operations.

We evaluate quarterly the realizability of our deferred tax assets by assessing the need for a valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. Factors that may affect our ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: a decline in sales or margins, increased competition or loss of market share. In addition, we operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended time to resolve. We believe that adequate provisions for income taxes have been made for all years.

The largest permanent item in computing both our effective tax rate and taxable income is the deduction allowed for statutory depletion. The impact of statutory depletion on the effective tax rate is presented in Note Q to our Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K. The deduction for statutory depletion does not necessarily change proportionately to changes in income before income taxes.

Recent Accounting Pronouncements

New accounting guidance that has been recently issued but not yet adopted by us, are included in Note B - Summary of Significant Accounting Policies to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to certain market risks, which exist as a part of our ongoing business operations. Such risks arise from adverse changes in market rates, prices and conditions. We address such market risks as discussed in "How We Generate Our Sales" in Item 7 of this Form 10-K, 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 December 31, 2017, we have \$489.1 million of debt outstanding under our senior credit facility. 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 \$4.9 million for the year ended December 31, 2017.

We use interest rate derivatives in the normal course of our business to manage both our interest cost and the risks associated with changing interest rates. We do not use derivatives for trading or speculative purposes. The following table summarizes the fair value of our derivative instruments (in thousands) at December 31, 2017 and 2016:

| | December 31, 2017 | | | | December 31, 2016 | | | |
|--|-------------------|--------------------------|-----------------|------------|-------------------|--------------------------|-----------------|------------|
| | Maturity Date | Contract/Notional Amount | Carrying Amount | Fair Value | Maturity Date | Contract/Notional Amount | Carrying Amount | Fair Value |
| Interest rate cap agreement ⁽¹⁾ | 2019 | \$249 million | \$ | —\$ | 2019 | \$249 million | \$ 72 | \$ 72 |

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

Credit Risk

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

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

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K:
U.S. SILICA HOLDINGS, INC.

| | |
|---|-----------|
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>71</u> |
| <u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u> | <u>72</u> |
| <u>Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015</u> | <u>73</u> |
| <u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015</u> | <u>74</u> |
| <u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2017, 2016 and 2015</u> | <u>75</u> |
| <u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015</u> | <u>76</u> |
| <u>Notes to the Consolidated Financial Statements</u> | <u>78</u> |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

U.S. Silica Holdings, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of US Silica Holdings, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations, statement of comprehensive income, changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 21, 2018 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2004.

Baltimore, Maryland

February 21, 2018

Table of ContentsU.S. SILICA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|--|----------------|-------------|
| | 2017 | 2016 |
| | (in thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$384,567 | \$711,225 |
| Accounts receivable, net | 212,586 | 89,006 |
| Inventories, net | 92,376 | 78,709 |
| Prepaid expenses and other current assets | 13,715 | 12,323 |
| Income tax deposits | — | 1,682 |
| Total current assets | 703,244 | 892,945 |
| Property, plant and mine development, net | 1,169,155 | 783,313 |
| Goodwill | 272,079 | 240,975 |
| Trade names | 33,068 | 32,318 |
| Intellectual property, net | 64,786 | 57,270 |
| Customer relationships, net | 52,153 | 50,890 |
| Other assets | 12,798 | 15,509 |
| Total assets | \$2,307,283 | \$2,073,220 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$148,772 | \$70,778 |
| Dividends payable | 5,229 | 5,221 |
| Accrued liabilities | 16,841 | 13,034 |
| Accrued interest | 199 | 169 |
| Current portion of long-term debt | 4,504 | 4,821 |
| Current portion of capital leases | 706 | 2,237 |
| Current portion of deferred revenue | 36,128 | 13,700 |
| Income tax payable | 1,566 | — |
| Total current liabilities | 213,945 | 109,960 |
| Long-term debt, net | 506,732 | 508,417 |
| Deferred revenue | 82,286 | 58,090 |
| Obligations under capital lease | — | 717 |
| Liability for pension and other post-retirement benefits | 52,867 | 56,746 |
| Deferred income taxes, net | 29,856 | 50,075 |
| Other long-term obligations | 25,091 | 15,925 |
| Total liabilities | 910,777 | 799,930 |
| Commitments and Contingencies (Note O) | | |
| Stockholders' Equity: | | |
| Preferred stock, \$0.01 par value, 10,000,000 shares authorized; 0 issued and outstanding at December 31, 2017 and 2016 | — | — |
| Common stock, \$0.01 par value, 500,000,000 shares authorized; 81,267,205 issued and 80,524,255 outstanding at December 31, 2017; 81,184,042 issued and 81,028,898 outstanding at December 31 2016 | 812 | 811 |
| Additional paid-in capital | 1,147,084 | 1,129,051 |
| Retained earnings | 287,992 | 163,173 |
| Treasury stock, at cost, 742,950 and 155,144 shares at December 31, 2017 and 2016, respectively | (25,456) | (3,869) |

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| | | |
|--|-------------|-------------|
| Accumulated other comprehensive loss | (13,926) | (15,876) |
| Total stockholders' equity | 1,396,506 | 1,273,290 |
| Total liabilities and stockholders' equity | \$2,307,283 | \$2,073,220 |

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

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Table of ContentsU.S. SILICA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended December 31, | | |
|--|--|--------------|------------|
| | 2017 | 2016 | 2015 |
| | (in thousands, except per share amounts) | | |
| Sales: | | | |
| Product | \$ 1,057,553 | \$ 523,900 | \$ 640,464 |
| Service | 183,298 | 35,725 | 2,525 |
| Total sales | 1,240,851 | 559,625 | 642,989 |
| Cost of sales (excluding depreciation, depletion and amortization): | | | |
| Product | 720,312 | 455,189 | 494,814 |
| Service | 147,203 | 22,106 | 252 |
| Total cost of sales (excluding depreciation, depletion and amortization) | 867,515 | 477,295 | 495,066 |
| Operating expenses: | | | |
| Selling, general and administrative | 107,592 | 67,727 | 62,777 |
| Depreciation, depletion and amortization | 97,233 | 68,134 | 58,474 |
| Total operating expenses | 204,825 | 135,861 | 121,251 |
| Operating income (loss) | 168,511 | (53,531) | 26,672 |
| Other (expense) income: | | | |
| Interest expense | (31,342) | (27,972) | (27,283) |
| Other income (expense), net, including interest income | (643) | 3,758 | 728 |
| Total other (expense) income | (31,985) | (24,214) | (26,555) |
| Income (loss) before income taxes | 136,526 | (77,745) | 117 |
| Income tax benefit | 8,680 | 36,689 | 11,751 |
| Net income (loss) | \$ 145,206 | \$ (41,056) | \$ 11,868 |
| Earnings (loss) per share: | | | |
| Basic | \$ 1.79 | \$ (0.63) | \$ 0.22 |
| Diluted | \$ 1.77 | \$ (0.63) | \$ 0.22 |
| Weighted average shares outstanding: | | | |
| Basic | 81,051 | 65,037 | 53,344 |
| Diluted | 81,960 | 65,037 | 53,601 |
| Dividends declared per share | \$ 0.25 | \$ 0.25 | \$ 0.44 |

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

Table of ContentsU.S. SILICA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year Ended December 31, | | |
|---|-------------------------|------------|-----------|
| | 2017 | 2016 | 2015 |
| | (in thousands) | | |
| Net income (loss) | \$ 145,206 | \$(41,056) | \$ 11,868 |
| Other comprehensive income (loss): | | | |
| Unrealized gain (loss) on derivatives (net of tax of \$(27), \$29 and \$34 for 2017, 2016, and 2015, respectively) | (44 |) 49 | 53 |
| Foreign currency translation adjustment (net of tax of \$2, \$0 and \$0 for 2017, 2016 and 2015, respectively) | (6 |) — | — |
| Unrealized gain (loss) on investments (net of tax of \$0, \$(4) and \$29 for 2017, 2016, and 2015, respectively) | — | (6 |) 47 |
| Pension and other post-retirement benefits liability adjustment (net of tax of \$1,205, \$152 and \$2,469 for 2017, 2016, and 2015, respectively) | 2,000 | 252 | 3,547 |
| Comprehensive income (loss) | \$ 147,156 | \$(40,761) | \$ 15,515 |

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

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U.S. SILICA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | Treasury Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|--|-------------------|----------------------------------|----------------------|---|----------------------------------|
| | (in thousands, except per share amounts) | | | | | |
| Balance at January 1, 2015 | \$539 | \$(542) | \$191,086 | \$232,551 | \$ (19,818) | \$403,816 |
| Net income | — | — | — | 11,868 | — | 11,868 |
| Unrealized gain on derivatives | — | — | — | — | 53 | 53 |
| Unrealized gain on short-term investments | — | — | — | — | 47 | 47 |
| Pension and post-retirement liability | — | — | — | — | 3,547 | 3,547 |
| Cash dividend declared (\$0.438 per share) | — | — | — | (23,445) | — | (23,445) |
| Common stock-based compensation plans activity: | | | | | | |
| Equity-based compensation | — | — | 3,857 | — | — | 3,857 |
| Proceeds from options exercised | — | 744 | (271) | — | — | 473 |
| Shares withheld for employee taxes related to vested restricted stock and stock units | — | (792) | (2) | — | — | (794) |
| Repurchase of common stock | — | (15,255) | — | — | — | (15,255) |
| Balance at December 31, 2015 | 539 | (15,845) | 194,670 | 220,974 | (16,171) | 384,167 |
| Net loss | — | — | — | (41,056) | — | (41,056) |
| Issuance of common stock (stock offerings net of issuance costs of \$25,732) | 272 | — | 931,016 | — | — | 931,288 |
| Unrealized gain on derivatives | — | — | — | — | 49 | 49 |
| Unrealized loss on short-term investments | — | — | — | — | (6) | (6) |
| Pension and post-retirement liability | — | — | — | — | 252 | 252 |
| Cash dividend declared (\$0.25 per share) | — | — | — | (16,893) | — | (16,893) |
| Common stock-based compensation plans activity: | | | | | | |
| Equity-based compensation | — | — | 12,107 | — | — | 12,107 |
| Excess tax benefit from equity-based compensation | — | — | — | 148 | — | 148 |
| Proceeds from options exercised | — | 8,465 | (3,640) | — | — | 4,825 |
| Issuance of restricted stock | — | 1,437 | (1,437) | — | — | — |
| Shares withheld for employee taxes related to vested restricted stock and stock units | — | 2,074 | (3,665) | — | — | (1,591) |
| Balance at December 31, 2016 | 811 | (3,869) | 1,129,051 | 163,173 | (15,876) | 1,273,290 |
| Net Income | — | — | — | 145,206 | — | 145,206 |
| Unrealized loss on derivatives | — | — | — | — | (44) | (44) |
| Foreign currency translation adjustment | — | — | — | — | (6) | (6) |
| Pension and post-retirement liability | — | — | — | — | 2,000 | 2,000 |
| Cash dividend declared (\$0.25 per share) | — | — | — | (20,387) | — | (20,387) |
| Common stock-based compensation plans activity: | | | | | | |
| Equity-based compensation | — | — | 25,050 | — | — | 25,050 |
| Proceeds from options exercised | — | 1,190 | (392) | — | — | 798 |
| Issuance of restricted stock | — | 1,859 | (1,859) | — | — | — |
| Shares withheld for employee taxes related to | | | | | | |

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| | | | | | | | | |
|---|-------|------------|-------------|-----------|----|---------|---------|-------------|
| vested restricted stock and stock units | 1 | 386 | (4,766 |) | — | — | (4,379 |) |
| Repurchase of common stock | — | (25,022 |) | | | | (25,022 |) |
| Balance at December 31, 2017 | \$812 | \$(25,456) | \$1,147,084 | \$287,992 | \$ | (13,926 |) | \$1,396,506 |

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

Table of ContentsU.S. SILICA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | |
|--|-------------------------|--------------|------------|
| | 2017 | 2016 | 2015 |
| | (in thousands) | | |
| Operating activities: | | | |
| Net income (loss) | \$ 145,206 | \$ (41,056) | \$ 11,868 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization | 97,233 | 68,134 | 58,474 |
| Debt issuance amortization | 1,382 | 1,392 | 1,401 |
| Original issue discount amortization | 372 | 378 | 382 |
| Deferred income taxes | (20,601) | (36,903) | (10,473) |
| Loss on disposal of property, plant and equipment | 415 | 563 | 383 |
| Deferred revenue | 28,438 | (9,026) | (16,079) |
| Equity-based compensation | 25,050 | 12,107 | 3,857 |
| Bad debt provision | 1,529 | (1,232) | (290) |
| Other | 5,529 | 3,643 | (5,257) |
| Changes in assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | (110,920) | (12,996) | 62,465 |
| Inventories | (4,825) | (10,211) | 1,708 |
| Prepaid expenses and other current assets | 8,787 | (509) | (708) |
| Income taxes | 1,469 | 11,558 | (5,837) |
| Accounts payable and accrued liabilities | 59,769 | 13,121 | (42,353) |
| Accrued interest | 28 | 111 | (2) |
| Liability for pension and other post-retirement benefits | (705) | 1,307 | 1,953 |
| Net cash provided by operating activities | 238,156 | 381 | 61,492 |
| Investing activities: | | | |
| Capital expenditures | (384,622) | (46,450) | (53,646) |
| Capitalized intellectual property costs | (3,586) | (959) | — |
| Maturities of short-term investments | — | 21,872 | 53,568 |
| Acquisition of businesses, net of cash acquired | (119,801) | (176,617) | — |
| Proceeds from sale of property, plant and equipment | 337 | 497 | 127 |
| Net cash provided by (used in) investing activities | (507,672) | (201,657) | 49 |
| Financing activities: | | | |
| Issuance of common stock | — | 678,791 | — |
| Common stock issuance costs | — | (25,732) | — |
| Dividends paid | (20,377) | (15,125) | (26,797) |
| Repurchase of common stock | (25,022) | — | (15,255) |
| Proceeds from options exercised | 798 | 4,825 | 473 |
| Tax payments related to shares withheld for vested restricted stock and stock units | (4,379) | (1,591) | (794) |
| Repayment of long-term debt | (7,211) | (5,202) | (5,093) |
| Principal payments on capital lease obligations | (951) | (542) | — |
| Financing fees | — | — | (64) |
| Net cash provided by (used in) financing activities | (57,142) | 635,424 | (47,530) |
| Net increase (decrease) in cash and cash equivalents | (326,658) | 434,148 | 14,011 |
| Cash and cash equivalents, beginning of period | 711,225 | 277,077 | 263,066 |
| Cash and cash equivalents, end of period | \$ 384,567 | \$ 711,225 | \$ 277,077 |
| Supplemental cash flow information: | | | |

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Cash paid (received) during the period for:

| | | | |
|-------------------------|----------|------------|----------|
| Interest | \$24,490 | \$21,994 | \$21,729 |
| Taxes, net of refunds | \$8,958 | \$(11,322) | \$4,568 |
| Related party purchases | \$4,942 | \$446 | \$— |
| Non-cash items: | | | |

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| | | | |
|--|----------|-----------|---------|
| Common stock issued in connection with acquisitions | \$— | \$278,229 | \$— |
| Capital lease obligations incurred to acquire assets | \$— | \$165 | \$— |
| Equipment received | \$18,185 | \$— | \$— |
| Accrued capital expenditures | \$16,534 | \$391 | \$1,154 |

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

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A—ORGANIZATION

U.S. Silica Holdings, Inc. (“Holdings,” and together with its subsidiaries “we,” “us” or the “Company”) is a domestic producer of commercial silica, a specialized mineral that is a critical input into a variety of end markets. During our 118-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 these markets. We manufacture frac sand used to stimulate and maintain the flow of hydrocarbons in oil and natural gas wells. Our silica is also used as a raw material in a wide range of industrial applications, including glassmaking and chemical manufacturing. We operate in two business segments based on end markets served: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products (see Note T - Segment Reporting for additional details).

On August 16, 2016, we completed the acquisition of New Birmingham, Inc. (“NBI”), the ultimate parent company of NBR Sand, LLC (“NBR”), a regional sand producer located near Tyler, Texas. On August 22, 2016, we completed the acquisition of Sandbox Enterprises, LLC (“Sandbox” or the “Sandbox acquisition”), as a “last mile” logistics solution for frac sand in the oil and gas industry.

On April 1, 2017, we completed the acquisition of White Armor, a product line of cool roof granules used in industrial roofing applications. On August 16, 2017, we completed the acquisition of Mississippi Sand, LLC (“MS Sand”). MS Sand is a frac sand mining and logistics company based in St. Louis, Missouri.

See Note D - Business Combinations for additional details relating to these acquisitions.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying Consolidated Financial Statements (the “Financial Statements”) have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). In the opinion of management, all adjustments necessary for a fair presentation of the Financial Statements have been included. Such adjustments are of a normal, recurring nature. Certain reclassifications of prior years’ amounts have been made to conform to the current year presentation.

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

Consolidation

The 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 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”). For the periods presented herein, we have identified no VIE entities over which we maintain any level of control that would require consolidation under ASC guidance.

Use of Estimates and Assumptions

The preparation of the 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 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 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 doubtful accounts; estimates of fair value for certain reporting units and asset impairments (including impairments of goodwill and other long-lived assets); write-downs of inventory to net realizable value; equity-based compensation expense; post-employment, post-retirement and other employee benefit liabilities; valuation allowances for deferred tax assets; 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.

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition

We derive most of our 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. The amount invoiced reflects product, transportation and/or additional services as applicable, such as storage, transloading the product from railcars to trucks and last mile logistics to the customer site.

Revenue is recognized from a sale when persuasive evidence of an arrangement exists, the price is fixed and determinable, the product has been delivered, legal title has been transferred to the customer or services are completed and collection of the sale is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as liabilities.

We primarily sell our products under short-term price agreements or at prevailing market rates. For a limited number of customers, we sell under long-term, minimum purchase supply agreements. As of December 31, 2017, we had 23 minimum purchase supply agreements in the Oil & Gas Proppants segment with initial terms expiring between 2018 and 2022. 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, which may often occur in volatile market conditions. While these negotiations continue, we may deliver sand at prices or at volumes below the requirements in our existing supply agreements.

We invoice the majority of our product customers on a per shipment basis, although for some larger customers, we consolidate invoices weekly or monthly. Standard terms are net 30 days, although extended terms are offered in competitive situations. Sales and other transaction taxes imposed by government entities are reported on a net basis. We invoice services periodically after the services are completed. Depending on the types of services, the total amount billed may include labor, equipment costs, freight, handling and other costs.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased. Because of the short maturity of these investments, the carrying amounts approximate their fair value.

Cash and cash equivalents are invested primarily in money market securities held by financial institutions with high credit ratings. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. Cash balances at times may exceed federally-insured limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risk on cash.

Accounts Receivable

The majority of our accounts receivable are due from companies in the oil and natural gas drilling, glass, building products, filler and extenders, foundries and other major industries. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, the customer's current ability to pay its obligation to us, and the condition of the general economy and the industry as a whole. Ongoing credit evaluations are performed. We write-off accounts receivable when they are deemed uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventories

Inventories include raw stockpiles and silica and other industrial sand available for shipment, as well as spare parts and supplies for routine facility maintenance. We value inventory at the lower of cost and net realizable value. Cost is determined using the first-in, first-out and average cost methods. Costs of our raw stockpiles and silica and other

industrial sand inventories include production costs and transportation and additional service costs as applicable.

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property, Plant and Mine Development

Plant and equipment

Plant and equipment is recorded at cost and depreciated over their estimated useful lives. Interest incurred during construction of facilities is capitalized and depreciated over the life of the asset. Costs for normal repairs and maintenance that do not extend economic life or improve service potential are expensed as incurred. Costs of improvements that extend economic life or improve service potential are capitalized and depreciated over the estimated remaining useful life.

Depreciation is recorded using the straight-line method over the assets' estimated useful lives as follows: buildings (15 years); land improvements (10 years); machinery and equipment, including computer equipment and software (3-10 years); furniture and fixtures (8 years). Leasehold improvements are depreciated over the shorter of the asset life or lease term. Construction-in-progress is primarily comprised of machinery and equipment which have not yet been placed in service.

Mining property and development

Mining property and development includes mineral deposits and mine exploration and development. Mineral deposits are initially recognized at cost, which approximates the estimated fair value on the date of purchase. Mine exploration and development costs include engineering and mineral studies, drilling and other related costs to delineate an ore body, and the removal of overburden to initially expose an ore body for production. Costs incurred before mineralization are classified as proven and probable reserves are expensed and classified as exploration or advanced projects, research and development expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

The cost of removing overburden and waste materials to access the ore body at an open pit mine prior to the production phase are referred to as "pre-stripping costs." Pre-stripping costs are capitalized during the development of an open pit mine. The production phase of an open pit mine commences when saleable minerals, beyond a de minimis amount, are produced. Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in costs applicable to sales in the same period as the revenue from the sale of inventory.

Depletion and amortization of mineral deposits and mine development costs are recorded as the minerals are extracted, based on units of production and engineering estimates of mineable reserves. The impact of revisions to reserve estimates is recognized on a prospective basis.

Mine reclamation costs and asset retirement obligations

We recognize the fair value of any liability for conditional asset retirement obligations, including environmental remediation liabilities when incurred, which is generally upon acquisition, construction or development and/or through the normal operation of the asset, if sufficient information exists to reasonably estimate the fair value of the liability. These obligations generally include the estimated net future costs of dismantling, restoring and reclaiming operating mines and related mine sites, in accordance with federal, state, local regulatory and land lease agreement requirements. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and abandonment costs. The reclamation obligation is based on when spending for an existing environmental disturbance will occur. If the asset retirement obligation is settled for other than the carrying amount of the liability, a gain or loss is recognized on settlement. We review, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site in accordance with ASC guidance for accounting reclamation obligations.

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

In connection with our annual review of our reclamation obligations, we have determined that some of our estimates required revision due primarily to the additions of new plant and transload facilities and other changes in cost estimates and settlement dates at various sites. These additions and changes in estimates resulted in an additional \$7.0 million and \$(2.1) million of asset retirement obligations in 2017 and 2016, respectively.

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Our asset retirement obligations are reported in other long-term obligations. The changes in these obligations (in thousands) during the years ending December 31, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|--|-----------|-----------|
| Beginning balance | \$ 11,159 | \$ 12,254 |
| Accretion | 879 | 979 |
| Additions and revisions of prior estimates | 6,994 | (2,074) |
| Ending balance | \$ 19,032 | \$ 11,159 |

Impairment or Disposal of Property, Plant and Mine Development

Gains on the sale of property, plant and mine development are included in income when the assets are disposed of provided there is more than reasonable certainty of the collectability of the sales price and any future activities required to be performed by us relating to the disposal of the assets are complete or insignificant. Upon retirement or disposal of assets, all costs and related accumulated depreciation or amortization are written-off.

We periodically evaluate whether current events or circumstances indicate that the carrying value of our property, plant and equipment assets may not be recoverable. If circumstances indicate that the carrying value may not be recoverable, we estimate future undiscounted net cash flows using estimates of proven and probable sand reserves, estimated future sales prices (considering historical and current prices, price trends and related factors) and operating costs and anticipated capital expenditures. If the undiscounted cash flows are less than the carrying value of the assets, we recognize an impairment loss equal to the amount by which the carrying value exceeds the fair value of the assets.

Goodwill and Other Intangible Assets and Related Impairment

Our intangible assets consist of goodwill, which is not being amortized, indefinite lived intangibles, which consist of certain trade names that are not subject to amortization, intellectual property and customer relationships.

Intellectual property mainly consists of patents and technology, and it is amortized on a straight-line basis over an average useful life of 15 years. Customer relationships are amortized on a straight-line basis over their useful life of 20, 15 or 13 years.

Goodwill represents the excess of purchase price over the fair value of net assets from business acquisitions. Goodwill and trade names are reviewed for impairment annually as of October 31 or more frequently whenever events or circumstances change that would more likely than not reduce the fair value of those assets. Prior to conducting a formal impairment test, we have an option to assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that is more likely than not (more than 50%) that the fair value of a reporting unit is less than its carrying amount. Such qualitative factors may include the following: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and other relevant entity-specific events. If the qualitative assessment determines that an impairment is more likely than not, or if we choose to bypass the qualitative assessment, we perform a quantitative comparison of the fair value with the carrying amount, including goodwill. If this comparison reflects impairment, then the loss would be measured as the excess of recorded goodwill, or other intangible assets with indefinite lives, over its implied fair value. Implied fair value is the excess of our fair value over the fair value of all recognized and unrecognized assets and liabilities. As of October 31, 2017, our qualitative assessment did not indicate that it was more likely than not that an impairment had occurred. Further, no triggering events have subsequently transpired that would indicate a potential impairment as of December 31, 2017.

Debt Issuance Costs

The Company defers costs directly associated with acquiring third-party financing, primarily loan origination costs and related professional expenses. Debt issuance costs are deferred and amortized using the effective interest rate method over the term of our senior secured term loan facility (the "Term Loan") and the straight-line method for our revolving line-of-credit (the "Revolver"). Debt issuance costs related to long-term debt are reflected as a direct deduction from the carrying amount of the debt. Amortization included in interest expense was \$1.4 million for each

of the years ended December 31, 2017, 2016 and 2015, respectively.

Environmental Costs

Environmental costs, other than qualifying capital expenditures, are accrued at the time the exposure becomes known and costs can be reasonably estimated. Costs are accrued based upon management's estimates of all direct costs, after taking into

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account expected reimbursement by third parties (primarily the sellers of acquired businesses), and are reviewed by outside consultants. Environmental costs are charged to expense unless a settlement with an indemnifying party has been reached.

Self-Insurance

We are self-insured for various levels of employee health insurance coverage, workers' compensation and third party product liability claims alleging occupational disease. We purchase insurance coverage for claim amounts which exceed our self-insured retentions. Depending on the type of insurance, these self-insured retentions range from \$0.1 million to \$0.5 million per occurrence. Our insurance reserves are accrued based on estimates of the ultimate cost of claims expected to occur during the covered period. The current portion of our self-insurance reserves is included in accrued liabilities and the non-current portion is included in other long-term obligations in our Balance Sheets. At December 31, 2017 and 2016, our self-insurance reserves totaled \$5.5 million and \$5.3 million, respectively, of which \$1.7 million and \$1.3 million, respectively, was classified as current.

Research and Development Costs

We may incur immaterial internal research and development ("R&D") expenditures, and research and development conducted for others, all of which are expensed as incurred, and included in selling, general and administrative expense. R&D costs may include, but are not limited to, research and administrative salaries, contractor fees, building costs, utilities, administrative expenses, and allocations of corporate costs.

Advertising Costs

We recognize advertising expense when incurred as selling, general and administrative expense.

Equity-based Compensation

We grant stock options, restricted stock, restricted stock units and performance share units to certain of our employees and directors under the Amended and Restated U.S. Silica Holdings, Inc. 2011 Incentive Compensation Plan. We recognize the cost of employee services rendered in exchange for awards of equity instruments.

Vesting of restricted stock and restricted stock units is based on the individual continuing to render service over a three-year vesting schedule. Cash dividend equivalents are accrued and paid to the holders of time based restricted stock units and restricted stock. The fair value of the restricted stock awards is equal to the market price of our stock at date of grant. The restricted award-related compensation expense is recognized, on a straight-line basis, over the vesting period.

We grant performance share units to certain employees in which the number of shares of common stock ultimately received is determined based on achievement of certain performance thresholds over a specified performance period (generally three years) in accordance with the stock award agreement. Cash dividend equivalents are not accrued or paid on performance share units. We recognize expense based on the estimated vesting of our performance share units granted and the grant date market price. The estimated vesting of the performance share units is principally based on the probability of achieving certain financial performance levels during the vesting periods. In the period it becomes probable that the minimum performance criteria specified in the award agreement will be achieved, we recognize expense for the proportionate share of the total fair value of the award related to the vesting period that has already lapsed. The remaining fair value of the award is expensed on a straight-line basis over the remaining vesting period. During the years ended December 31, 2017 and 2016, we granted certain employees performance share units, the vesting of which is based on the Company's total shareholder return ("TSR") ranking among a peer group over the three-year period from January 1, 2017 through December 31, 2019 for the 2017 awards and from January 1, 2016 through December 31, 2018 for the 2016 awards. The number of units that will vest will depend on the percentage ranking of the Company's TSR compared to the TSRs for each of the companies in the peer group over the

performance period. For these awards subject to market conditions, a binomial-lattice model (i.e., Monte Carlo simulation model) is used to fair value these awards at grant date. The related compensation expense is recognized, on a straight-line basis, over the vesting period.

We grant stock options to certain employees and directors. Stock options vest on a vesting schedule and the related compensation expense is recognized over the vesting period, usually over 3 or 4 years. In calculating the compensation expense for stock options granted, we estimate the fair value of each grant using the Black-Scholes option-pricing model.

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The fair value of stock options granted is based on the exercise price of the option and certain assumptions, which are evaluated and revised, as necessary, to reflect market conditions and experience. Our expected forfeiture rate is the estimated percentage of options granted that are expected to be forfeited or canceled on an annual basis before becoming fully vested. Our expected term is the period of time over which the options are expected to remain outstanding. An increase in the expected term will increase compensation expense. The computation of the expected term is based on the simplified method, under which the expected term is presumed to be the mid-point between the average vesting date and the end of the contractual term. The assumptions for expected volatility are based on historical experience for the same periods as our expected lives. Risk-free interest rates are set using grant-date U.S. Treasury yield curves for the same periods as our expected lives. The expected dividend yield is based on our future dividend expectations for the same periods as our expected lives.

Income Taxes

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. This approach requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based upon the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the expenses are expected to reverse. Valuation allowances are provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We recognize a tax benefit associated with an uncertain tax position when, in management's judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. The effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management.

The largest permanent item in computing both our effective tax rate and taxable income is the deduction allowed for statutory depletion. The deduction for statutory depletion does not necessarily change proportionately to changes in income before income taxes.

Earnings per Share

Basic and diluted earnings per share is presented for net income (loss). 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. In accordance with the applicable accounting guidance for calculating earnings per share, we did not include in our calculation of diluted earnings per share for the applicable periods stock options where the exercise prices were greater than the average market prices. The weighted-average stock awards (in thousands) that are antidilutive and are, therefore, excluded from the calculation of diluted earnings per common share are as follows:

For the Year
Ended
December 31,

| | 2017 | 2016 | 2015 |
|---|------|------|------|
| Weighted-average outstanding stock options excluded | 195 | 573 | 528 |
| Weighted-average outstanding restricted stock and performance share units awards excluded | 305 | 166 | 66 |
| Comprehensive Income (loss) | | | |

In addition to net income (loss), comprehensive income (loss) includes all changes in equity during a period, such as adjustments to minimum pension liabilities and the effective portion of changes in fair value of derivative instruments that qualify as cash flow hedges.

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Financial Instruments

We currently use interest rate hedge agreements to manage interest costs and the risk associated with changing interest rates. Amounts to be paid or received under these hedge agreements are accrued as interest rates change and are recognized over the life of the hedge agreements as an adjustment to interest expense. Our policy is to not hold or issue derivative financial instruments for trading or speculative purposes. When entered into, these financial instruments are designated as hedges of underlying exposures, associated with our long-term debt, and are monitored to determine if they remain effective hedges. Gains and losses on derivatives designated as cash flow hedges are recorded in other comprehensive income (loss), net of tax, and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in income. Additional disclosures for derivative instruments are presented in Note M - Derivative Instruments to these financial statements.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets and any assumed liabilities, are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. Determining the fair value of assets acquired and liabilities assumed involves the use of significant estimates and assumptions. Additional disclosures for business combinations are presented in Note D - Business Combinations to these financial statements.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) which supersedes previous revenue recognition guidance. The new guidance introduces a new principles-based framework for revenue recognition and disclosure. Since its issuance, the FASB has issued additional ASUs, amending the guidance and the effective dates of amendments, and the SEC has rescinded certain related SEC guidance. The pronouncements are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Based on our reviews, there is no material impact to the Company's results of operations, financial position and cash flows as a result of this guidance. Companies can use either a full retrospective or modified retrospective method to adopt the standard. The Company has elected to apply the modified retrospective approach. Under the modified retrospective method, prior periods are not updated to be presented on an accounting basis that is consistent with 2018; rather, a cumulative adjustment for the effects of applying the new standard to periods prior to 2018 is recorded to retained earnings as of January 1, 2018. Because only 2018 revenues will reflect application of the new standard, incremental disclosures are required to present 2018 revenues under the prior standard.

The new standard requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time based on when control of goods and services transfer to a customer. As a result of our implementation review, we do not expect significant changes in the presentation of our financial statements, including either: (1) timing of revenue recognition, or (2) changes in classification between revenue and costs. The new standard will have no cash flow impact and, as such, does not affect the underlying economics of our customer contracts. The effect of applying the new guidance to our existing book of contracts will be minimal.

Application of this method will not result in a material cumulative effect adjustment as of the date of adoption. We do not expect application of the new guidance to result in increases or decreases in revenue within our segments, or any material impact on our balance sheets.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. Similarly, lessors will be required to classify leases as sales-type, finance or operating, with classification affecting the pattern of income recognition. Classification for both lessees and lessors will be based on an assessment of whether risks and rewards as well as substantive control have been transferred through a lease contract. This update is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. This standard mandates a modified retrospective transition method. While we continue to evaluate the effect of the standard, we anticipate that the adoption will result in a material increase in assets and liabilities on our consolidated balance sheet and will not have a material impact on our consolidated income statement or statement of cash flows.

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In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which amends guidance on the classification of certain cash receipts and payments in the statement of cash flows. This ASU adds or clarifies guidance on eight specific cash flow issues. Additionally, guidance on the presentation of restricted cash is addressed in ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which was issued in November 2016. Both standards are effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within those annual reporting periods. Early adoption is permitted. Adoption of these standards will not have a material impact on our consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The new guidance clarifies the definition of a business with the objective of adding guidance to assist companies and other reporting organizations with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early application of the amendments in ASU 2017-01 is allowed for a transaction(s) for which the acquisition date occurs before the issuance date or effective date of the amendments, a subsidiary is deconsolidated or a group of assets is derecognized only when the transaction(s) has (have) not been reported in financial statements that have been issued or made available for issuance. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which removes Step 2 from the goodwill impairment test. It is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed with a measurement date after January 1, 2017. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit. ASU 2017-07 amends presentation requirements related to reporting the service cost component of net benefit costs to require that the service cost component be reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, disaggregating the component from other net benefit costs. ASU 2017-07 also limits the components of net benefit cost eligible to be capitalized to service cost. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods for public business entities. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. Early adoption should be within the first interim period if an employer issues interim financial statements. Disclosures of the nature of and reason for the change in accounting principle are required in the first interim and annual periods of adoption. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718), Scope of Modification Accounting. This update amends the scope of modification accounting for share-based payment arrangements. ASU 2017-09 provides guidance on the types of the changes to the terms or conditions of share-based payments awards to which an entity would be required to apply modification accounting. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods for all entities. Early adoption is permitted, including adoption in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

NOTE C—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.

In March 2016, we completed a public offering of 10,000,000 shares of our common stock for total cash proceeds of approximately \$186.2 million net of underwriting discounts and offering costs. In August 2016, we issued an additional 6,825,693 shares of our common stock to complete two acquisitions discussed in Note D - Business Combinations. In November 2016, we executed another offering of 10,350,000 shares of common stock raising net cash proceeds of \$467.0 million.

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There were 81,267,205 shares issued and 80,524,255 shares outstanding at December 31, 2017. There were 81,184,042 shares issued and 81,028,898 shares outstanding at December 31, 2016.

In 2017, our Board of Directors declared quarterly cash dividends as follows:

Dividends

| per Common Share | Declaration Date | Record Date | Payable Date |
|------------------------|-------------------|--------------------|-----------------|
| \$0.0625 | February 16, 2017 | March 15, 2017 | April 5, 2017 |
| \$0.0625 | May 4, 2017 | June 15, 2017 | July 6, 2017 |
| \$0.0625 | July 21, 2017 | September 15, 2017 | October 3, 2017 |
| \$0.0625 | November 2, 2017 | December 15, 2017 | January 5, 2018 |

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.

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 December 31, 2017 and 2016. At present, we have no plans to issue any preferred stock.

Share Repurchase Program

We are authorized by our Board of Directors to repurchase shares of our outstanding common stock from time to time on the open market or in privately negotiated transactions. As of December 31, 2017, we are authorized to repurchase up to \$100.0 million of our common stock through December 11, 2018. 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 December 31, 2017, we have repurchased 727,081 shares of our common stock at an average price of \$34.41 under this program and are authorized to repurchase up to an additional \$75.0 million of our common stock.

Our Board of Directors previously had authorized the repurchase of up to \$50.0 million of our common stock. This program expired on December 11, 2017. We repurchased a total of 706,093 shares of our common stock at an average price of \$23.83 under this program.

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Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of fair value adjustments associated with cash flow hedges, accumulated adjustments for net experience losses and prior service cost related to employee benefit plans and foreign currency translation adjustments primarily related to accounts payable denominated in Euros. The following table presents the changes in accumulated other comprehensive income (loss) by component (in thousands) during the year ended December 31, 2017:

| | For the Year Ended December 31, 2017 | | | |
|--|--|--|--|------------|
| | Unrealized gain/(loss) on cash flow hedges | Foreign currency translation adjustment | Pension and other post- retirement benefits liability | Total |
| Beginning Balance | \$(32) | \$ — | \$ (15,844) | \$(15,876) |
| Other comprehensive gain (loss) before reclassifications | (45) | (6) | 871 | 820 |
| Amounts reclassified from accumulated other comprehensive income | 1 | — | 1,129 | 1,130 |
| Ending Balance | \$(76) | \$ (6) | \$ (13,844) | \$(13,926) |

Amounts reclassified from accumulated other comprehensive income (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 pension costs, at their pre-tax amounts.

NOTE D—BUSINESS COMBINATIONS

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the underlying net assets acquired.

Trade Names

A trade name is a legally protected trade or similar mark. Acquired trade names are valued using an income method approach, generally the relief-from-royalty valuation method. The method uses a royalty rate based on comparable marketplace royalty agreements for similar types of trade names, and applies it to the after-tax discounted free cash flow attributed to the trade name. The discount rate used is based on an estimated weighted average cost of capital and the anticipated risk for intangible assets.

The valued trade name has an indefinite life based on our plans and expectations for the trade name going forward, and is reviewed for impairment under ASC 360-10.

Intellectual Property and Technology

Intellectual property and technology (“IP”) is a design, work or invention that is the result of creativity to which one has ownership rights that may be protected through a patent, copyright, trademark or service mark. IP is valued using the relief from royalty valuation method. The method uses a royalty rate based on comparable market-place royalty agreements for similar types of IP, and applies it to the after-tax discounted free cash flow attributed to the IP. The discount rate used is based on an estimated weighted average cost of capital and the anticipated risk for intangible

assets.

The IP is amortized following the pattern in which the expected benefits will be consumed or otherwise used up over each component's useful life, based on our plans and expectations for the IP going forward, which is generally the underlying IP's legal expiration dates. IP is reviewed for impairment under ASC 360-10.

Customer Relationships

Customer relationships are intangible assets that consist of historical and factual information about customers and contacts collected from repeat transactions with customers, with or without any underlying contracts. The information is

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generally organized as customer lists or customer databases. We have the expectation of repeat patronage from these customers based on the customers' historical purchase activity, which creates the intrinsic value over a finite period of time and translates into the expectation of future revenue, income, and cash flow.

Customer relationships are valued using projected operating income, adjusted for estimated future existing customer growth less estimated future customer attrition, net of charges for net tangible assets, IP charge, trade name charge and work force. The concluded value is the after-tax discounted free cash flow. Customer relationships are reviewed for impairment under ASC 360-10.

The tax rate applied for each class of intangible assets is pursuant to current tax legislation (15-year period for intangible assets).

2017 Acquisitions

White Armor Acquisition:

On April 1, 2017, we completed the acquisition of White Armor, a product line of cool roof granules used in industrial roofing applications, for cash consideration of \$18.6 million. The preliminary purchase price was allocated to goodwill of approximately \$3.9 million, identifiable intangible assets of \$12.8 million and other net assets of approximately \$1.9 million.

Goodwill in this transaction is attributable to planned growth in our specialty industrial sand segment. The goodwill amount is included in our Industrial & Specialty Products segment. Identifiable definite lived intangibles, including customer relationships, and goodwill are expected to be deductible for tax purposes.

We incurred \$0.2 million of acquisition-related charges which are included in selling, general and administrative expenses during the year ended December 31, 2017. Revenue and earnings for White Armor after the acquisition date are not presented as the business was integrated into our operations subsequent to the acquisition and therefore impracticable to quantify.

MS Sand Acquisition:

On August 16, 2017, we completed the acquisition of Mississippi Sand, LLC ("MS Sand"), a Missouri limited liability company, for cash consideration of approximately \$95.4 million, net of cash acquired of \$2.2 million. As is normal and customary, subsequent adjustments were made including \$(0.5) million to the net working capital adjustment plus an additional \$6.1 million consideration paid related to a pre-existing contracted asset sale, which was entered into prior to our acquisition, for total cash consideration of \$101.0 million. MS Sand is a frac sand mining and logistics company based in St. Louis, Missouri. The acquisition of MS Sand increased our regional frac sand product offering in our Oil & Gas Proppants segment.

We have accounted for the acquisition of MS Sand under the acquisition method of accounting in accordance with ASC 805, Business Combinations, and have accounted for measurement period adjustments in accordance with ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. Estimates of fair value included in the consolidated financial statements represent our best estimates and valuations. In accordance with the acquisition method of accounting, the allocation of consideration value is subject to adjustment until we complete our analysis, in a period of time, but not to exceed one year after the date of acquisition, or August 16, 2018, in order to provide us

with the time to complete the valuation of its assets and liabilities.

The following table sets forth the current allocation of the purchase price to MS Sands' identifiable tangible and intangible assets acquired and liabilities assumed, including measurement period adjustments (in thousands):

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| | Initial Estimate | Measurement Period Adjustments | Purchase Price Allocation |
|---------------------------------------|---------------------|--------------------------------------|---------------------------------|
| Accounts receivable | \$ 11,201 | \$ — | \$ 11,201 |
| Inventories | 6,087 | 1,980 | 8,067 |
| Other current assets | 362 | — | 362 |
| Assets held for sale | 9,523 | (70) | 9,453 |
| Property, plant and mine development | 26,440 | 1,018 | 27,458 |
| Mineral rights | — | 26,300 | 26,300 |
| Other non-current assets | 1,136 | — | 1,136 |
| Goodwill | 52,187 | (29,665) | 22,522 |
| Customer relationships | — | 1,840 | 1,840 |
| Total assets acquired | 106,936 | 1,403 | 108,339 |
| Accounts payable and accrued expenses | 3,815 | (54) | 3,761 |
| Unfavorable leasehold positions | — | 2,237 | 2,237 |
| Notes Payable | 866 | — | 866 |
| Other long term liabilities | 1,254 | (1,254) | — |
| Asset retirement obligations | — | 474 | 474 |
| Total liabilities assumed | 5,935 | 1,403 | 7,338 |
| Net assets acquired | \$ 101,001 | \$ — | \$ 101,001 |

The acquired intangible assets and the related estimated useful lives consist of the following:

| | Approximate Fair Value (in thousands) | Estimated Useful Life (in years) |
|------------------------|--|-------------------------------------|
| Customer relationships | \$ 1,840 | 15 |

Goodwill in this transaction is attributable to planned growth in our regional frac sand product offering in our Oil & Gas Proppants segment. The goodwill amount is included in our Oil & Gas Proppants segment. Identifiable definite lived intangibles, including customer relationships, and goodwill are expected to be deductible for tax purposes.

We incurred \$0.7 million of acquisition-related charges which are included in selling, general and administrative expenses during the year ended December 31, 2017. Revenue and earnings for MS Sand after the acquisition date are not presented as the business was integrated into our operations subsequent to the acquisition and therefore impracticable to quantify.

Both acquisitions were accounted for using the acquisition method of accounting. The purchase price and purchase price allocation for both White Armor and MS Sand acquisitions are preliminary and subject to customary post-closing adjustments and changes in the fair value of assets and liabilities. The above estimated fair values of net assets acquired are based on the information that was available as of the reporting date. We believe that the information provides a reasonable basis for estimating the fair values of the acquired assets and assumed liabilities, but the potential for measurement period adjustments exists based on our continuing review of matters related to the acquisitions. As a result, our final purchase price allocations may be significantly different than those reflected above.

We expect to complete the purchase price allocations as soon as practicable, but no later than one year from the acquisition dates.

Unaudited Pro Forma Results

The results of MS Sand's operations have been included in the consolidated financial statements subsequent to the acquisition dates. The following unaudited pro forma consolidated financial information reflects the results of operations as if the MS Sand Acquisition had occurred on January 1, 2016, after giving effect to certain purchase accounting adjustments. These adjustments mainly include incremental depreciation expense related to the fair value adjustment of property, plant, equipment and mine development, amortization expense related to identifiable intangible assets and tax expense related to the

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combined tax provisions. This information does not purport to be indicative of the actual results that would have occurred if the acquisition had actually been completed on the date indicated, nor is it necessarily indicative of the future operating results or the financial position of the combined company (in thousands, except per share amounts):

| | For the year ended | |
|-----------------------------------|--------------------|-------------|
| | December 31, | |
| | 2017 | 2016 |
| Sales | \$1,287,202 | \$642,951 |
| Net income (loss) | \$143,604 | \$(55,835) |
| Basic earnings (loss) per share | \$1.77 | \$(0.86) |
| Diluted earnings (loss) per share | \$1.75 | \$(0.86) |

2016 Acquisitions

NBI Acquisition:

On August 16, 2016, we completed the acquisition of New Birmingham, Inc. (“NBI”), the ultimate parent company of NBR Sand, LLC (“NBR”), by acquiring all of the outstanding capital stock of NBI through the merger of New Birmingham Merger Corp., a Nevada corporation and wholly owned subsidiary of the Company, with and into NBI, followed immediately by the merger of NBI with and into NBI Merger Subsidiary II, Inc., a Delaware corporation and wholly owned subsidiary of the Company, which subsequently changed its name to Tyler Silica Company (the “NBI Acquisition”). NBR is a regional sand producer located near Tyler, Texas. The acquisition of NBI increased our regional frac sand product offering in our Oil & Gas Proppants segment.

The consideration paid to the stockholders of NBI at the closing of the NBI Acquisition consisted of \$107.2 million in cash (net of \$9.0 million cash acquired) and 2,630,513 shares of common stock valued at \$106.6 million.

The calculation of the purchase price (in thousands, except shares) is as follows:

| | | |
|---|-----------|------------|
| Cash consideration paid | | \$116,165 |
| Number of Holdings common shares delivered | 2,630,513 | |
| Multiplied by closing market price per share of U.S. Silica common stock on August 16, 2016 | \$ 40.51 | |
| Total value of Holdings common shares delivered | | \$106,562 |
| Less, cash acquired | | \$(9,002) |
| Total purchase price | | \$213,725 |

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U.S. SILICA HOLDINGS, INC.

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We have accounted for the acquisition of NBI under the acquisition method of accounting in accordance with ASC 805, Business Combinations, and have accounted for measurement period adjustments in accordance with ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. Estimates of fair value included in the consolidated financial statements represent our best estimates and valuations. In accordance with the acquisition method of accounting, the allocation of consideration value was subject to adjustment until we completed our analysis, in a period of time, but not to exceed one year after the date of acquisition, or August 16, 2016, in order to provide us with the time to complete the valuation of its assets and liabilities. We have completed our analysis and allocation of consideration value to assets acquired and liabilities assumed.

The following table sets forth the final allocation of the purchase price to NBI's identifiable tangible and intangible assets acquired and liabilities assumed, including measurement period adjustments (in thousands):

| | Initial Estimate | Measurement Period Adjustments | Purchase Price Allocation |
|--|---------------------|--------------------------------------|---------------------------------|
| Accounts receivable | \$2,680 | \$ — | \$ 2,680 |
| Inventories | 3,494 | — | 3,494 |
| Other current assets | 428 | — | 428 |
| Income tax deposits | 6,657 | (217) | 6,440 |
| Property, plant and mine development | 210,913 | (4,281) | 206,632 |
| Identifiable intangible assets | 1,600 | — | 1,600 |
| Goodwill | 86,228 | 4,670 | 90,898 |
| Total assets acquired | 312,000 | 172 | 312,172 |
| Accounts payable, accrued expenses and other current liabilities | 1,938 | 726 | 2,664 |
| Deferred revenue | 500 | — | 500 |
| Notes payable | 24,361 | 243 | 24,604 |
| Capital lease liabilities | 3,331 | — | 3,331 |
| Asset retirement obligations | 710 | — | 710 |
| Deferred tax liabilities | 67,435 | (797) | 66,638 |
| Total liabilities assumed | 98,275 | 172 | 98,447 |
| Net assets acquired | \$213,725 | \$ — | \$ 213,725 |

In addition to the changes in the balances reflected above, we recorded an adjustment to depreciation expense of \$(0.6) million during the year ended December 31, 2017.

The acquired intangible assets and the related estimated useful lives consist of the following:

| | Approximate Fair Value (in thousands) | Estimated Useful Life (in years) |
|------------------------|--|-------------------------------------|
| Customer relationships | \$ 1,600 | 13 |

Goodwill in this transaction is attributable to planned growth in regional frac sand markets and synergies expected to be achieved from integrating the operations of our operating subsidiary, U.S. Silica Company ("U.S. Silica"), and NBI. The goodwill amount is included in our Oil & Gas Proppants segment. Both customer relationships and goodwill are not expected to be deductible for tax purposes.

We incurred \$1.4 million of acquisition-related charges which are included in selling, general and administrative expenses during the year ended December 31, 2016. Additionally, we incurred \$1.7 million related to the inventory write-up values in cost of goods sold during the year ended December 31, 2016.

Revenue and earnings for NBR after the acquisition date are not presented as the business was integrated into our operations subsequent to the acquisition and therefore impracticable to quantify.

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Sandbox Acquisition:

On August 22, 2016, we completed the purchase of all of the outstanding units of membership interest of Sandbox Enterprises, LLC, a Texas limited liability company ("Sandbox" or the "Sandbox Acquisition"). Sandbox earns revenues from providing "last mile" transportation services to companies in the oil and gas industry. Sandbox has operations in Texas (Midland/Odessa, Kenedy, Dallas/Fort Worth, Tyler); Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado; Oklahoma City, Oklahoma; Cambridge, Ohio and Mansfield, Pennsylvania, where its major customers are located.

The consideration paid to the unit-holders consisted of \$69.5 million in cash (net of \$1.3 million cash acquired) and 4,195,180 shares of our common stock valued at \$171.7 million. The calculation of the purchase price (in thousands, except shares) is as follows:

| | |
|---|------------|
| Cash consideration paid | \$70,760 |
| Number of Holdings common shares delivered | 4,195,180 |
| Multiplied by closing market price per share of U.S. Silica common stock on August 22, 2016 | \$ 40.92 |
| Total value of Holdings common shares delivered | \$171,667 |
| Less, cash acquired | \$(1,306) |
| Total purchase price | \$241,121 |

The following table sets forth the allocation of the purchase price to Sandbox's identifiable tangible and intangible assets acquired and liabilities assumed (in thousands):

| | |
|--|----------------|
| Allocation of Purchase price: | (in thousands) |
| Accounts receivable | \$ 13,392 |
| Prepaid expenses and other | 1,465 |
| Property, plant and mine development | 32,336 |
| Identifiable intangible assets | 120,144 |
| Goodwill | 86,100 |
| Total assets acquired | 253,437 |
| Accounts payable | 4,122 |
| Deferred revenue | 4,902 |
| Accrued expenses and other current liabilities | 3,292 |
| Total liabilities assumed | 12,316 |
| Net assets acquired | \$ 241,121 |

The acquired intangible assets and the related estimated useful lives consist of the following:

| | Approximate Fair Value | Estimated Useful Life |
|---|---------------------------|-----------------------|
| | (in thousands) | (in years) |
| Indefinite lived intangible assets - Trade names | \$ 17,844 | Indefinite |
| Definite lived intangible assets - Technology and intellectual property | 57,700 | 15 |
| Definite lived intangible asset - Customer relationships | 44,600 | 13 |
| Total fair value of identifiable intangible assets | \$ 120,144 | |

Goodwill in this transaction is attributable to expected growth in frac sand demand at the wellhead and synergies expected to be achieved from integrating the operations of U.S. Silica and Sandbox. The goodwill amount is included in our Oil & Gas Proppants segment. Goodwill and all intangible assets identified above are expected to be deductible for tax purposes.

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Our 2016 Income Statement included revenue of \$31.0 million associated with Sandbox following the date of acquisition. Sandbox's impact on our net loss was not significant for the year ended December 31, 2016. We incurred \$3.0 million of acquisition-related charges which are included in selling, general and administrative expenses on the Income Statement for the year ended December 31, 2016.

The cost related to the issuance of the 6,825,693 shares of common stock to complete the two acquisitions totaled \$0.3 million, which is included in additional paid-in capital on our Consolidated Statements of Stockholders' Equity for the year ended December 31, 2016.

Combined Unaudited Pro Forma Results

The results of NBI's and Sandbox's operations have been included in the consolidated financial statements subsequent to the acquisition dates. The following unaudited pro forma consolidated financial information reflects the results of operations as if the NBI Acquisition and Sandbox Acquisition had occurred on January 1, 2015, after giving effect to certain purchase accounting adjustments. These adjustments mainly include incremental depreciation expense related to the fair value adjustment of property, plant, equipment and mine development, amortization expense related to identifiable intangible assets and tax expense related to the combined tax provisions. This information does not purport to be indicative of the actual results that would have occurred if the acquisition had actually been completed on the date indicated, nor is it necessarily indicative of the future operating results or the financial position of the combined company (in thousands, except per share amounts):

| | For the year ended December 31, | |
|----------------------------|------------------------------------|-----------|
| | 2016 | 2015 |
| Sales | \$615,552 | \$753,287 |
| Net income (loss) | \$(45,161) | \$43,163 |
| Basic earnings per share | \$(0.69) | \$0.81 |
| Diluted earnings per share | \$(0.69) | \$0.81 |

NOTE E—ACCOUNTS RECEIVABLE

At December 31, 2017 and 2016, accounts receivable (in thousands) consisted of the following:

| | At December 31, | |
|---------------------------------------|-----------------|----------|
| | 2017 | 2016 |
| Trade receivables | \$217,649 | \$93,982 |
| Less: Allowance for doubtful accounts | (7,100) | (7,042) |
| Net trade receivables | 210,549 | 86,940 |
| Other receivables | 2,037 | 2,066 |
| Total accounts receivable | \$212,586 | \$89,006 |

Changes in our allowance for doubtful accounts (in thousands) during the years ended December 31, 2017 and 2016 are as follows:

| | Allowance for Doubtful Accounts | |
|-----------------------|---------------------------------------|----------|
| | 2017 | 2016 |
| Balance at January 1, | \$7,042 | \$7,686 |
| Bad debt provision | 1,529 | (1,232) |

Write-offs and recoveries, net (1,471) 588

Balance at December 31, \$7,100 \$7,042

Our ten largest customers accounted for approximately 58%, 52%, and 56% of sales during the years ended December 31, 2017, 2016 and 2015, respectively. Sales to two of our customers accounted for 15% and 12% of our total sales during the year

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ended December 31, 2017. Sales to one of our customers accounted for 13% of our total sales during the year ended December 31, 2016. Sales to two of our customers accounted for 13% and 12% of our total sales during the year ended December 31, 2015. No other customers accounted for 10% or more of our total sales. At December 31, 2017, two of our customers' accounts receivable represented 19% and 11% of our total accounts receivable, net of allowance. At December 31, 2016, two of our customers' accounts receivable represented 14% and 10% of our total accounts receivable, net of allowance. No other customers accounted for 10% or more of our total accounts receivable.

NOTE F—INVENTORIES

At December 31, 2017 and 2016, inventories (in thousands) consisted of the following:

| | At December 31, | |
|-----------------------------------|-----------------|----------|
| | 2017 | 2016 |
| Supplies | \$21,277 | \$18,824 |
| Raw materials and work in process | 28,034 | 25,161 |
| Finished goods | 43,065 | 34,724 |
| Total inventories | \$92,376 | \$78,709 |

NOTE G—PROPERTY, PLANT AND MINE DEVELOPMENT

At December 31, 2017 and 2016, property, plant and mine development (in thousands) consisted of the following:

| | At December 31, | |
|--|-----------------|------------|
| | 2017 | 2016 |
| Mining property and mine development | \$586,242 | \$414,434 |
| Asset retirement cost | 14,184 | 8,062 |
| Land | 36,552 | 35,052 |
| Land improvements | 45,878 | 42,738 |
| Buildings | 56,330 | 52,178 |
| Machinery and equipment | 590,566 | 450,881 |
| Furniture and fixtures | 2,953 | 2,566 |
| Construction-in-progress | 189,970 | 43,790 |
| | 1,522,675 | 1,049,701 |
| Accumulated depletion, depreciation and amortization | (353,520) | (266,388) |
| Total property, plant and mine development, net | \$1,169,155 | \$783,313 |

At December 31, 2017 and 2016, the aggregate cost of the machinery and equipment originally acquired under capital leases was \$0.9 million and \$4.7 million, respectively, reduced by accumulated depreciation of \$0.2 million and \$0.3 million, respectively. The decrease in machinery and equipment acquired under capital leases is due to lease terminations.

The amount of interest costs capitalized in property, plant and mine development was \$1.6 million, \$0.2 million and \$0.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE H—GOODWILL AND INTANGIBLE ASSETS**Goodwill**

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| | Goodwill |
|---|-----------|
| Balance at December 31, 2015 | \$68,647 |
| NBI acquisition | 86,228 |
| Sandbox acquisition | 86,100 |
| Balance at December 31, 2016 | 240,975 |
| White Armor acquisition | 3,912 |
| NBI acquisition measurement period adjustment | 4,670 |
| MS Sand acquisition | 52,187 |
| MS Sand acquisition measurement period adjustment | (29,665) |
| Balance at December 31, 2017 | \$272,079 |

Goodwill represents the excess of purchase price over the fair value of net assets acquired from business acquisitions. Goodwill and trade names are reviewed for impairment annually as of October 31 or more frequently whenever events or circumstances change that would more likely than not reduce the fair value of those assets. We completed our annual impairment test by performing a qualitative assessment of goodwill. In performing this qualitative assessment, we evaluated events and circumstances since the date of the last quantitative impairment test, including the results of that test, macroeconomic conditions, industry and market conditions, and our overall financial performance. After assessing the totality of the events and circumstances, we determined that it was not more likely than not that the fair value of our reporting units was less than their carrying amount and, therefore, the first and second steps of the quantitative goodwill impairment test were deemed unnecessary. Further, no triggering events have subsequently transpired that would indicate a potential impairment as of December 31, 2017. Goodwill of \$247.5 million has been allocated to the Oil & Gas Proppants business segment and \$24.6 million to the Industrial & Specialty Products business segment at December 31, 2017. Goodwill of \$220.3 million has been allocated to the Oil & Gas Proppants business segment and \$20.7 million to the Industrial & Specialty Products business segment at December 31, 2016.

Intangible Assets

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

| | Estimated Useful Life (in years) | December 31, 2017 | | | December 31, 2016 | | |
|---|-------------------------------------|-----------------------|--------------------------|-----------|-----------------------|--------------------------|-----------|
| | | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| Technology and intellectual property | 15 | \$70,703 | \$(5,917) | \$64,786 | \$58,658 | \$(1,388) | \$57,270 |
| Customer relationships | 13 - 15 | 61,229 | (9,076) | 52,153 | 55,689 | (4,799) | 50,890 |
| Total definite-lived intangible assets: | | \$131,932 | \$(14,993) | \$116,939 | \$114,347 | \$(6,187) | \$108,160 |
| Trade name | | 33,068 | — | 33,068 | 32,318 | — | 32,318 |
| Total intangible assets: | | \$165,000 | \$(14,993) | \$150,007 | \$146,665 | \$(6,187) | \$140,478 |

Amortization expense was \$8.8 million, \$3.2 million and \$0.5 million for the years ended December 31, 2017, 2016 and 2015.

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

2018 \$9,239

2019 9,239

2020 9,239

2021 9,239

2022 9,224

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I—ACCRUED LIABILITIES

At December 31, 2017 and 2016, accrued liabilities (in thousands) consisted of the following:

| | At December 31, | |
|---|-----------------|----------|
| | 2017 | 2016 |
| Accrued salaries and wages | \$6,126 | \$3,794 |
| Accrued vacation liability | 2,906 | 2,471 |
| Current portion of liability for pension and post-retirement benefits | 1,524 | 1,553 |
| Accrued healthcare liability | 1,837 | 1,307 |
| Accrued property taxes and sales taxes | 2,720 | 1,815 |
| Other accrued liabilities | 1,728 | 2,094 |
| Total accrued liabilities | \$16,841 | \$13,034 |

Other accrued liabilities consist of accrued transportation and related costs, customer rebates, royalties payable, and other items.

NOTE J—DEBT AND CAPITAL LEASES

At December 31, 2017 and 2016, debt (in thousands) consisted of the following:

| | December 31, 2017 | December 31, 2016 |
|---|----------------------|----------------------|
| Senior secured credit facility: | | |
| Revolver expiring July 23, 2018 (5.75% at December 31, 2017 and 5.25% at December 31, 2016) | \$— | \$— |
| Term loan facility—final maturity July 23, 2020 (4.75%-5.25% at December 31, 2017 and 4.00% - 4.50% at December 31, 2016) | 489,075 | 494,175 |
| Less: Unamortized original issue discount | (944) | (1,318) |
| Less: Unamortized debt issuance cost | (3,099) | (4,482) |
| Note payable secured by royalty interest | 24,740 | 23,076 |
| Customer note payable | 745 | 1,787 |
| Equipment notes payable | 719 | — |
| Total debt | 511,236 | 513,238 |
| Less: current portion | (4,504) | (4,821) |
| Total long-term portion of debt | \$506,732 | \$508,417 |

Revolving Line-of-Credit

We have a \$50 million revolving line-of-credit (the "Revolver"), with zero drawn and \$4.5 million allocated for letters of credit as of December 31, 2017, leaving \$45.5 million available under the Revolver.

Senior Secured Credit Facility

At December 31, 2017, contractual maturities of our senior secured credit facility (in thousands) are as follows:

2018 \$5,100

2019 5,100

2020 478,875

Total \$489,075

On July 23, 2013, we refinanced our then existing senior secured debt by amending our Term Loan and replacing our then existing revolving line-of-credit. The Term Loan amendment refinanced our then existing senior debt by entering into a new \$425 million senior secured credit facility, consisting of a \$375 million Term Loan and the \$50 million Revolver that may also

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be used for swingline loans (up to \$5 million) or letters of credit (up to \$20 million). The Term Loan amendment also, among other things, removed and amended certain financial and other covenants to provide additional operating flexibility, and lowered interest rates on borrowed amounts. The Term Loan will expire on July 23, 2020 and the Revolver will expire on July 23, 2018. On December 5, 2014, we further increased our Term Loan by an additional \$135 million to a total of approximately \$502 million in accordance with the incremental borrowing feature in our senior secured credit facility.

Our senior secured credit facility is secured by a pledge of substantially all of our assets, including accounts receivable, inventory, property, plant and mine development, and a pledge of the equity interests in certain of our subsidiaries. The facility contains covenants that, among other things, govern our ability to create, incur or assume indebtedness and liens, to make acquisitions or investments, to sell assets and to pay dividends. This includes a restriction on the ability of our operating subsidiaries to make distributions to us to the extent that the incurrence ratio (as defined in the senior secured credit facility) after giving effect to the distribution is 3:1 or greater. The facility also requires us to maintain a consolidated total net leverage ratio of no more than 3.75:1.00 as of the last day of any fiscal quarter whenever usage of the Revolver (other than certain undrawn letters of credit) exceeds 25% of the Revolver commitment. As of December 31, 2017 and December 31, 2016, we are in compliance with all covenants in accordance with our senior secured credit facility.

Note Payable Secured by Royalty Interest

In connection with the acquisition of NBI 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 required by the note are as follows:

| | |
|------------|----------|
| 2018 | \$1,750 |
| 2019 | 1,750 |
| 2020 | 1,750 |
| 2021 | 1,750 |
| 2022 | 1,750 |
| Thereafter | 15,990 |
| Total | \$24,740 |

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 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 discount rate of 14%. As of December 31, 2017, the note payable had a balance of \$24.7 million. The increase in this note payable amount is due to interest paid-in-kind. The effective interest rate based on the updated projected future cash payments is 24% at December 31, 2017.

Customer Note Payable

In connection with the acquisition of NBI in August 2016, we assumed a customer note payable that was entered into by NBI. NBI entered into an amendment effective January 1, 2016. Terms of the amended agreement call for repayment of \$2.5 million at 0% interest, in equal monthly payments beginning January 1, 2016 for 60 months, or \$0.5 million per year. Additionally, the principal of this customer note payable can be reduced via future product load credit. We discounted the required future cash payments and projected product load credit using an effective interest rate of 3.5% and recorded the customer note payable at \$1.9 million on the acquisition date. At December 31, 2017, the customer note payable had a balance of \$0.7 million.

Equipment Notes Payable

In connection with the acquisition of MS Sand in August 2017, we assumed notes payable, which are secured by equipment and bear interest rates between 0% to 5.2%. Maturities (in thousands) for the next five years required by the notes are as follows:

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2018 \$316

2019 286

2020 117

Total \$719

Capital Leases

We enter into financing arrangements from time to time to purchase machinery and equipment utilized in operations. At December 31, 2017, scheduled future minimum lease payments under capital lease obligations (in thousands) are as follows:

| | | |
|--|------|---|
| 2018 | 721 | |
| Total minimum lease payments | 721 | |
| Less: amount representing interest | (15 |) |
| Present value of minimum lease payments | 706 | |
| Less: current portion of capital lease obligations | (706 |) |
| Non-current portion of capital lease obligations | \$ | — |

NOTE K—DEFERRED REVENUE

We enter into certain customer supply agreements which give the customers the right to purchase certain products for a discounted price at certain volumes over an average initial contract term of one to five years. The advance payments represent future purchases and are recorded as deferred revenue, recognized as revenue over the contract term of each supply agreement. During the year ended December 31, 2017 we received advances of \$50.5 million. At December 31, 2017 and 2016, the total deferred revenue balance was \$118.4 million and \$71.8 million, respectively, of which \$36.1 million and \$13.7 million was classified as current in our Balance Sheets.

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 December 31, 2017 and 2016 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, approximates their carrying values based on their effective interest rates compared to current market rates.

Derivative Instruments

The estimated fair value of our derivative instruments (interest rate caps) are recorded at each reporting period and are based upon widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each

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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. Additional disclosures for derivative instruments are presented in Note M - Derivative Instruments to these financial statements.

Although we have determined that the majority of the inputs used to value our derivatives fall with Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default of ourselves and our counterparties. However, as of December 31, 2017, we have assessed that the impact of the credit valuation adjustments on the overall valuation of our derivative positions is not significant. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

In accordance with the fair value hierarchy, the following table presents the fair value as of December 31, 2017 and 2016, respectively, of those instruments (in thousands) that we measure at fair value on a recurring basis:

| | December 31, 2017 | | December 31, 2016 | |
|---------------------------|----------------------|-------|----------------------|-------|
| | Level 1 | Total | Level 2 | Total |
| Interest rate derivatives | — | — | — | 72 |
| Net asset | \$ — | \$ — | \$ — | \$ 72 |

NOTE M—DERIVATIVE INSTRUMENTS

Cash Flow Hedges of Interest Rate Risk

We enter into interest rate cap agreements in connection with the Term Loan to add stability to interest expense and to manage our exposure to interest rate movements. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an upfront premium.

The following table summarizes the fair value of our derivative instruments (in thousands, except contract/notional amount). See Note L - Fair Value Accounting for additional disclosures regarding the estimated fair values of our derivative instruments at December 31, 2017, and 2016.

| | December 31, 2017 | | | | December 31, 2016 | | | |
|--|-------------------|--------------------------|-----------------|------------|-------------------|--------------------------|-----------------|------------|
| | Maturity Date | Contract/Notional Amount | Carrying Amount | Fair Value | Maturity Date | Contract/Notional Amount | Carrying Amount | Fair Value |
| Interest rate cap agreement ⁽¹⁾ | 2019 | \$249 million | \$ — | — | 2019 | \$249 million | \$ 72 | \$ 72 |

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

We have designated these contracts as qualified cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is 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. During the years ended December 31, 2017 and 2016, we had no ineffectiveness for such contracts.

The following table summarizes the effect of derivatives instruments (in thousands) on our income statements and our consolidated statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015.

| | 2017 | 2016 | 2015 |
|--|--------|--------|---------|
| Deferred losses from derivatives in OCI, beginning of period | \$(32) | \$(81) | \$(134) |
| Loss recognized in OCI from derivative instruments | (45) | (32) | — |
| Gain reclassified from Accumulated OCI | 1 | 81 | 53 |

Deferred losses from derivatives in OCI, end of period \$(76) \$(32) \$(81)

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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. 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 December 31, 2017, we have 4,452,870 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 year ended December 31, 2017:

| | Number of Shares | Weighted Average Exercise Price | Aggregate Intrinsic Value (in thousands) | Weighted Average Remaining Contractual Term in Years |
|----------------------------------|------------------------|---------------------------------------|---|--|
| Outstanding at December 31, 2016 | 952,693 | 27.99 | | |
| Granted | — | — | | |
| Exercised | (43,774) | 18.22 | | |
| Forfeited | — | — | | |
| Outstanding at December 31, 2017 | 908,919 | 28.46 | \$ 7,008 | 6.1 years |
| Exercisable at December 31, 2017 | 736,480 | 26.79 | \$ 6,707 | 5.8 years |

There were no grants of stock options during the years ended December 31, 2017 and 2016.

The total intrinsic value of stock options exercised was \$1.2 million, \$7.6 million, and \$0.4 million for the years ended December 31, 2017, 2016 and 2015 respectively. Cash received from options exercised in 2017 was \$0.8 million. The tax benefit realized from option exercises totaled \$0.4 million, \$2.9 million, and zero for the years ended December 31, 2017, 2016 and 2015, respectively.

We recognized \$2.5 million, \$3.0 million, and \$3.4 million of equity-based compensation expense related to these options during the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017, there was \$1.2 million of total unrecognized compensation expense related to these options, which is expected to be recognized over a weighted-average period of approximately 0.7 years. 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 year ended December 31, 2017:

| | Number of Shares | Grant Date Weighted Average Fair Value |
|-----------------------------|------------------|---|
| Unvested, December 31, 2016 | 557,716 | \$ 24.33 |
| Granted | 156,164 | 44.45 |
| Vested | (248,031) | 24.92 |
| Forfeited | (4,503) | 30.94 |
| Unvested, December 31, 2017 | 461,346 | \$ 30.76 |

We granted 156,164 restricted stock and restricted stock unit awards during the year ended December 31, 2017. The fair value of the awards was based on the market price of our stock at date of grant.

We recognized \$7.1 million, \$5.7 million, and \$3.9 million of equity-based compensation expense related to these restricted stock awards during the years ended December 31, 2017, 2016 and 2015 respectively. As of December 31, 2017, there was \$9.2 million of total unrecognized compensation expense related to these restricted stock awards,

which is expected to be recognized over a weighted-average period of 1.7 years.

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Performance Share Unit Awards

The following table summarizes the status of, and changes in, our performance share unit awards during the year ended December 31, 2017:

| | Number of Shares | Grant Date Weighted Average Fair Value |
|-----------------------------|------------------|---|
| Unvested, December 31, 2016 | 963,613 | \$ 37.43 |
| Granted | 90,501 | 67.69 |
| Vested | — | — |
| Cancelled | (172,698) | 29.12 |
| Unvested, December 31, 2017 | 881,416 | \$ 42.16 |

We granted 90,501 performance share unit awards during the year ended December 31, 2017. The grant date fair value for these awards was estimated to be \$67.69 and the number of units that will vest will depend on the percentage ranking of the Company's total shareholder return ("TSR") compared to the TSRs for each of the companies in the peer group over the three year period from January 1, 2017 through December 31, 2019. The related compensation expense is recognized on a straight-line basis over the vesting period.

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 and our self-determined peer group companies' stock, risk-free rate of interest, dividend yields and cross-correlations between our and our self-determined peer group companies' stock.

We recognized \$15.5 million, \$3.3 million, and \$3.4 million of compensation expense related to these performance share unit awards during the years ended December 31, 2017, 2016 and 2015 respectively. As of December 31, 2017, there was \$18.3 million of estimated total unrecognized compensation expense related to these performance share unit awards, which is expected to be recognized over a weighted-average period of 1.2 years.

NOTE O—COMMITMENTS AND CONTINGENCIES

Future Minimum Annual Commitments at December 31, 2017

| Amounts in thousands | Operating | |
|---|--|------------------------------------|
| | Lease Minimum Rental Payments | Minimum Purchase Commitments |
| Year ending December 31, | | |
| 2018 | \$ 69,892 | \$ 28,099 |
| 2019 | 62,294 | 18,938 |
| 2020 | 51,162 | 10,168 |
| 2021 | 35,915 | 5,736 |
| 2022 | 30,303 | 3,886 |
| Thereafter | 55,626 | 11,200 |
| Total future lease and purchase commitments | \$ 305,192 | \$ 78,027 |

Operating Leases

We are obligated under certain operating leases for railroad cars, office space, mining property, mining/processing equipment and transportation and other equipment. Certain operating lease agreements include options to purchase the equipment for fair market value at the end of the original lease term. In general, the above leases include renewal options and provide that we pay for all utilities, insurance, taxes and maintenance. Expense related to operating leases and rental agreements for the years ended December 31, 2017, 2016 and 2015 totaled approximately \$68.3 million,

\$54.1 million and \$48.2 million, respectively.

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Minimum Purchase Commitments

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

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 year ended December 31, 2017, no new claims were brought against U.S. Silica. U.S. Silica was named as a defendant in two claims filed during the year ended December 31, 2016 and no claims filed in 2015. As of December 31, 2017, there were 59 active silica-related products liability claims pending in which U.S. Silica is a defendant. Although the outcomes of these claims cannot be predicted with certainty, in the opinion of management, it is not reasonably possible that the ultimate resolution of these matters will have a material adverse effect on our financial position or results of operations that exceeds the accrual amounts.

For periods prior to 1986, U.S. Silica had numerous insurance policies and an indemnity from a former owner that covered silicosis claims. In the fourth quarter of 2012, U.S. Silica settled all rights under the indemnity and its underlying insurance. The settlement was received during the first quarter of 2013. As a result of the settlement, the indemnity and related policies are no longer available to U.S. Silica and U.S. Silica will not seek reimbursement for any defense costs or claim payments. Other insurance policies, however, continue to remain available to U.S. Silica. We have recorded estimated liabilities for these claims in other long-term obligations as well as estimated recoveries under the indemnity agreement and an estimate of future recoveries under insurance in other assets on our consolidated balance sheets. As of December 31, 2017 and 2016, other non-current assets included zero and \$0.3 million, respectively, for insurance for third-party products liability claims. As of December 31, 2017 and 2016, other long-term obligations included \$1.0 million and \$1.3 million, respectively, in third-party products claims liability. Additionally, during 2015, we received an unfavorable ruling in an arbitration proceeding as a result of exiting a toll manufacturing contract. The matter was settled and the settlement amount of \$6.5 million was paid on June 9, 2015, which was included in selling, general and administrative expense in our Income Statement for the year ended December 31, 2015.

NOTE P—PENSION AND POST-RETIREMENT BENEFITS

We maintain a single-employer noncontributory defined benefit pension plan covering certain employees. There have been no new entrants to the plan since May 2009 when the plan was frozen to all new employees. The plan provides 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 plan consistent with a goal of appropriate minimization of the unfunded projected benefit obligation. The pension plan uses a benefit level per year of service for covered hourly employees and a final average pay method for covered salaried employees. The plan uses the projected unit credit cost method to determine the actuarial valuation.

We employ a total rate of return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small and large capitalizations. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

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We employ a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and fixed-income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

In addition, we provide defined benefit post-retirement healthcare 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.

We previously maintained a Voluntary Employees' Beneficiary Association trust that was used to partially fund health care benefits for future retirees. Benefits were funded to the extent contributions were tax deductible, which under current legislation is limited. In 2017, the trust terminated upon depletion of its assets, which were used in accordance with trust terms. In general, retiree health benefits are paid as covered expenses are incurred

Net pension benefit cost (in thousands) consisted of the following for the years ended December 31, 2017, 2016 and 2015:

| | Years Ended | | |
|--------------------------------|--------------|----------|----------|
| | December 31, | | |
| | 2017 | 2016 | 2015 |
| Service cost | \$1,037 | \$1,078 | \$1,295 |
| Interest cost | 3,971 | 4,067 | 4,813 |
| Expected return on plan assets | (5,265) | (5,495) | (5,498) |
| Net amortization and deferral | 1,773 | 1,592 | 2,665 |
| Net pension benefit costs | \$1,516 | \$1,242 | \$3,275 |

Net post-retirement cost (in thousands) consisted of the following for the years ended December 31, 2017, 2016 and 2015:

| | Years Ended | | |
|--------------------------------|--------------|---------|---------|
| | December 31, | | |
| | 2017 | 2016 | 2015 |
| Service cost | \$107 | \$132 | \$176 |
| Interest cost | 753 | 876 | 1,074 |
| Expected return on plan assets | (1) | (1) | (1) |
| Net amortization and deferral | — | — | 281 |
| Special termination benefit | — | 21 | 48 |
| Net post-retirement costs | \$859 | \$1,028 | \$1,578 |

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The changes in benefit obligations and plan assets (in thousands), as well as the funded status (in thousands) of our pension and post-retirement plans at December 31, 2017 and 2016 are as follows:

| | Pension Benefits | | Post-retirement Benefits | |
|---|------------------|------------|--------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Benefit obligation at January 1, | \$116,145 | \$115,420 | \$24,393 | \$25,091 |
| Service cost | 1,037 | 1,078 | 107 | 132 |
| Interest cost | 3,971 | 4,067 | 753 | 876 |
| Actuarial (gain) loss | 6,824 | 1,640 | (1,576) | (802) |
| Benefits paid | (6,685) | (6,517) | (1,280) | (1,332) |
| Amendments | 760 | 457 | — | — |
| Special termination benefits | — | — | — | 21 |
| Other | — | — | 374 | 407 |
| Benefit obligation at December 31, | \$122,052 | \$116,145 | \$22,771 | \$24,393 |
| Fair value of plan assets at January 1, | \$83,850 | \$84,716 | \$14 | \$17 |
| Actual return on plan assets | 12,757 | 5,651 | (1) | (3) |
| Employer contributions | 2,145 | — | 893 | 925 |
| Benefits paid | (6,685) | (6,517) | (1,280) | (1,332) |
| Other | — | — | 374 | 407 |
| Fair value of plan assets at December 31, | \$92,067 | \$83,850 | \$— | \$14 |
| Plan assets less than benefit obligations at December 31 recognized as liability for pension and other post-retirement benefits | \$(29,985) | \$(32,295) | \$(22,771) | \$(24,379) |

The accumulated benefit obligation for the defined benefit pension plans, which excludes the assumption of future salary increases, totaled \$122.0 million and \$116.0 million at December 31, 2017 and 2016, respectively.

The amendments in 2017 and 2016 reflect plan changes including increases in the benefit multiplier for certain participants.

We also sponsor unfunded, nonqualified pension plans. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for these plans were \$1.6 million, \$1.6 million and zero at December 31, 2017 and \$1.6 million, \$1.6 million and zero at December 31, 2016. Future estimated annual benefit payments (in thousands) for pension and post-retirement benefit obligations at December 31, 2017 are as follows:

| | Benefits | | |
|-----------|----------|---|---------------------------|
| | Pension | Post-retirement Before Medicare Subsidy | After Medicare Subsidy |
| 2018 | \$7,195 | \$1,536 | \$1,400 |
| 2019 | 7,334 | 1,480 | 1,345 |
| 2020 | 7,409 | 1,490 | 1,358 |
| 2021 | 7,446 | 1,571 | 1,438 |
| 2022 | 7,573 | 1,600 | 1,465 |
| 2023-2027 | 38,030 | 7,892 | 7,178 |

Our best estimate of expected contributions to the pension and post-retirement medical benefit plans for the 2018 fiscal year are \$2.5 million and \$1.4 million, respectively.

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The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost (in thousands) during the following fiscal year are as follows:

| | Benefits | | |
|--------------------|----------|-----------------|----------|
| | Pension | Post-retirement | Total |
| Net actuarial loss | \$ 1,877 | \$ — | \$ 1,877 |
| Prior service cost | 534 | — | 534 |
| | \$ 2,411 | \$ — | \$ 2,411 |

The total amounts in accumulated other comprehensive income (loss) related to net actuarial loss, net of tax, for both qualified plans was \$13.5 million and \$13.8 million as of December 31, 2017 and 2016, respectively. The total amounts in accumulated other comprehensive income (loss) related to prior service cost, net of tax, for both plans, was \$0.5 million as of December 31, 2017 and 2016.

The following weighted-average assumptions were used to determine our obligations under the plans:

| | Pension Benefits | | Post-retirement Benefits | |
|---|------------------|-------|--------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| Discount rate | 3.7 % | 4.2 % | 3.7 % | 4.2 % |
| Long-term rate of compensation increase | 3.5 % | 3.5 % | N/A | N/A |
| Long-term rate of return on plan assets | 6.8 % | 7.0 % | 7.0 % | 7.0 % |
| Health care cost trend rate: | | | | |
| Pre-65 initial rate/ultimate rate | N/A | N/A | 7.3%/4.5% | 7.3%/5.0% |
| Pre-65 ultimate year | N/A | N/A | — | — |
| Post-65 initial rate/ultimate rate | N/A | N/A | 8.0%/4.5% | 8.5%/5.0% |
| Post-65 ultimate year | N/A | N/A | 2025/2026 | 2024/2025 |

The weighted average discount rate used to determine the projected pension and post-retirement obligations was updated in 2017, and was decreased from 4.2% at December 31, 2016 to 3.7% at December 31, 2017. The discount rate reflects the expected long-term rates of return with maturities comparable to payments for the plan obligations utilizing Aon Hewitt's AA Only Above Medium Curve.

In 2016, we changed the method utilized to estimate the service cost and interest cost components of net periodic benefit costs for our defined benefit pension and other post-retirement benefit plans. Historically, we estimated the service cost and interest cost components using a single weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. We have elected to use a spot rate approach in the estimation of these components of benefit cost by applying the specific rates along the yield curve to the relevant projected cash flows, as we believe this provides a better estimate of service and interest costs. We consider this a change in estimate and, accordingly, have accounted for it prospectively starting in 2016. This change does not affect the measurement of our total benefit obligation.

Mortality tables used for pension benefits and post-retirement benefits plans are the following:

| | Pension Benefits and Post-retirement Benefits | |
|----------------|--|--|
| | 2017 | 2016 |
| Healthy Lives | RP-2014 mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2017 | RP-2014 mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2016 |
| Disabled Lives | RP-2014 disabled retiree mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2017 | RP-2014 disabled retiree mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2016 |

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Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

| | One-Percentage-Point | |
|--|----------------------|----------|
| | Increase | Decrease |
| Effect on total of service and interest cost | \$ 113 | \$ (95) |
| Effect on post-retirement benefit obligation | 2,598 | (2,209) |

The major investment categories and their relative percentage of the fair value of total plan assets as invested at December 31, 2017, and 2016 are as follows:

| | Pension Benefits | | Post-retirement Benefits | |
|-------------------|------------------|--------|--------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Equity securities | 51.8 % | 59.4 % | % | 64.0 % |
| Debt securities | 46.3 % | 38.3 % | % | 39.1 % |
| Cash | 1.9 % | 2.3 % | % | (3.1)% |

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The fair values of the pension plan assets (in thousands) at December 31, 2017, by asset category, are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------|----------|---------|------------|
| Cash and cash equivalents | \$— | \$ 1,727 | \$ — | —\$ 1,727 |
| Mutual funds: | | | | |
| Diversified emerging markets | 8,300 | — | — | 8,300 |
| Foreign large blend | 11,856 | — | — | 11,856 |
| Large-cap blend | 15,643 | — | — | 15,643 |
| Mid-cap blend | 8,334 | — | — | 8,334 |
| Real estate | 3,591 | — | — | 3,591 |
| Fixed income securities: | | | | |
| Corporate notes and bonds | 28,108 | — | — | 28,108 |
| Government agencies | — | — | — | — |
| U.S. Treasuries | 10,846 | — | — | 10,846 |
| Mortgage-backed securities | — | 2,615 | — | 2,615 |
| Asset-backed securities | — | 1,047 | — | 1,047 |
| Net asset | \$86,678 | \$ 5,389 | \$ — | —\$ 92,067 |

The fair values of the pension plan assets (in thousands) at December 31, 2016, by asset category, are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------|----------|---------|-----------|
| Cash and cash equivalents | \$— | \$ 1,893 | \$ — | \$ 1,893 |
| Mutual funds: | | | | |
| Diversified emerging markets | 7,700 | — | — | 7,700 |
| Foreign large blend | 12,621 | — | — | 12,621 |
| Large-cap blend | 16,687 | — | — | 16,687 |
| Mid-cap blend | 8,674 | — | — | 8,674 |
| Real estate | 4,070 | — | — | 4,070 |
| Fixed income securities: | | | | |
| Corporate notes and bonds | 21,357 | — | — | 21,357 |
| Government agencies | 301 | — | — | 301 |
| U.S. Treasuries | 7,495 | — | — | 7,495 |
| Mortgage-backed securities | — | 2,022 | — | 2,022 |
| Asset-backed securities | — | 983 | — | 983 |
| Insurance policies | — | — | 47 | 47 |
| Net asset | \$78,905 | \$ 4,898 | \$ 47 | \$ 83,850 |

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.

The risks of participating in multiemployer plans differ from single employer plans as follows: 1) assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if we cease to have an obligation to contribute to one or more of the multiemployer plans to which we contribute, we may be required to pay those plans an amount based on the

underfunded status of the plan, referred to as a withdrawal liability.

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A summary of each multiemployer pension plan for which we participate is presented below:

| Pension Fund | EIN/ Pension Plan No. | Pension Protection Act Zone Status ⁽¹⁾ | | FIP/RP Status Pending/ Implemented | Company Contributions (in thousands) | | | Surcharge Imposed | Expiration Date of CBA |
|---------------------|-----------------------|---|-------|------------------------------------|--------------------------------------|-------|-------|-------------------|------------------------|
| | | 2017 | 2016 | | 2017 | 2016 | 2015 | | |
| LIUNA | 52-6074345/001 | Red | Red | Yes | \$223 | \$167 | \$182 | Yes | 5/31/2020 |
| IUOE | 36-6052390/001 | Green | Green | No | 40 | 28 | 29 | No | 7/29/2018 |
| CSSS ⁽²⁾ | 36-6044243/001 | Red | Red | Yes | 51 | 51 | 51 | NA | NA |

(1) The Pension Protection Act of 2006 defines the zone status as follows: green—healthy, yellow—endangered, orange—seriously endangered and red—critical.

(2) In 2011, we withdrew from the Central States, Southeast and Southwest Areas Pension Plan. The withdrawal liability of \$1.0 million will be paid in monthly installments of \$4,000 until 2031.

Our contributions to individual multiemployer pension funds did not exceed 5% of the fund's total contributions in any of the three years ended December 31, 2017. Additionally, our contributions to multiemployer post-retirement benefit plans were immaterial for all periods presented in the accompanying 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. We also contribute an employee match of 25 cents, for each dollar contributed by an employee, up to 8% of their earnings. For certain employees, we make a profit sharing match up to 25 cents, based on financial performance, for each dollar contributed up to 8% of their earnings. Finally, for some employees, we make a catch-up match of 25 cents for each dollar of catch-up contributions. Contributions were \$3.0 million, \$2.4 million and \$2.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE Q—INCOME TAXES

We evaluate our deferred tax assets periodically to determine if valuation allowances are required. Ultimately, the realization of deferred tax assets is dependent upon generation of future taxable income during those periods in which temporary differences become deductible and/or credits can be utilized. To this end, management considers the level of historical taxable income, the scheduled reversal of deferred tax liabilities, tax-planning strategies and projected future taxable income. Based on these considerations, and the carry-forward availability of a portion of the deferred tax assets, management believes it is more likely than not that we will realize the benefit of the deferred tax assets.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code including, but not limited to, (1) bonus depreciation that will allow for full expensing of qualified property; (2) reduction of the U.S. federal corporate tax rate; (3) elimination of the corporate alternative minimum tax; (4) a new limitation on deductible interest expense; (5) the repeal of the domestic production activity deduction; (6) limitations on the deductibility of certain executive compensation; and (7) limitations on net operating losses generated after December 31, 2017, to 80 percent of taxable income. We are not currently subject to the various international changes of the Tax Act.

The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the

provisions of the tax laws that were in effect immediately before the enactment of the Tax Act. As we are not subject to either the international changes of the Tax Act or other applicable provisions, we believe that the income tax effects of the Tax Act applicable to our accounting under ASC 740 is substantially complete for the year ended December 31, 2017. Additional information that may affect the accounting under ASC 740 would include further clarification and guidance on how the Internal Revenue Service and state taxing authorities will implement the Tax Act. We do not believe potential adjustments in future periods would materially impact the Company's financial condition or results of operations.

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The Tax Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Because ASC 740-10-25-47 requires the effect of a change in tax laws or rates to be recognized as of the date of enactment, we are required to adjust deferred tax assets and liabilities as of December 22, 2017. Accordingly, we have recorded a decrease related to deferred tax assets and liabilities of \$45.0 million and \$80.8 million, respectively, with a corresponding net adjustment to deferred income tax benefit of \$35.8 million for the year ended December 31, 2017.

The expense or benefit for income taxes (in thousands) consisted of the following for the years ended December 31, 2017, 2016 and 2015:

| | Years Ended December 31, | | |
|------------------------------|--------------------------|----------|----------|
| | 2017 | 2016 | 2015 |
| Current: | | | |
| Federal | \$(10,754) | \$60 | \$(170) |
| State | (1,167) | (274) | 1,448 |
| | \$(11,921) | \$(214) | \$1,278 |
| Deferred: | | | |
| Federal | 22,641 | 32,944 | 7,439 |
| State | (2,040) | 3,959 | 3,034 |
| | \$20,601 | \$36,903 | \$10,473 |
| Income tax (expense) benefit | \$8,680 | \$36,689 | \$11,751 |

Deferred tax assets and liabilities are recognized for the estimated future tax effects, based on enacted tax laws, of temporary differences between the values of assets and liabilities recorded for financial reporting and for tax purposes and of net operating loss and other carry forwards.

The tax effects of the types of temporary differences and carry forwards that gave rise to deferred tax assets and liabilities (in thousands) at December 31, 2017 and 2016 consisted of the following:

| | At December 31, | |
|--|-----------------|-------------|
| | 2017 | 2016 |
| Gross deferred tax assets: | | |
| Net operating loss carry forward and state tax credits | \$22,783 | \$65,022 |
| Pension and post-retirement benefit costs | 13,710 | 22,920 |
| Alternative minimum tax credit carry forward | 30,401 | 19,431 |
| Property, plant and equipment | 5,750 | 6,112 |
| Accrued expenses | 10,755 | 6,752 |
| Inventories | 4,354 | 4,362 |
| Third-party products liability | 249 | 511 |
| Stock-based compensation expense | 8,785 | 5,576 |
| Note payable | 3,133 | 4,009 |
| Other | 5,095 | 5,458 |
| Total deferred tax assets | \$105,015 | \$140,153 |
| Gross deferred tax liabilities: | | |
| Land and mineral property basis difference | \$(78,520) | \$(126,315) |
| Fixed assets and depreciation | (51,556) | (61,531) |
| Intangibles | (4,795) | (2,260) |
| Other | — | (122) |
| Total deferred tax liabilities | \$(134,871) | \$(190,228) |
| Net deferred tax liabilities | \$(29,856) | \$(50,075) |

We have federal net operating loss carry forwards of approximately \$93.4 million at December 31, 2017. The losses will expire in years 2027 through 2036. Approximately \$69.0 million of the losses are subject to an annual limitation under Internal

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Code Section 382, but are expected to be fully realized. Under the Tax Act, net operating loss (NOL) deductions arising in tax years beginning after December 31, 2017 can only offset up to 80 percent of future taxable income. The Act also prohibits NOL carrybacks, but allows indefinite carryforwards for NOLs arising in tax years beginning after December 31, 2017. Net operating losses arising before January 1, 2018 are accounted for under the previous tax rules that imposed no limit on the amount of the taxable income that can be set off using NOLs (except for a 90 percent limit for AMT carryforwards) and that can be carried back 2 years, and carried forward 20 years.

At December 31, 2017 and 2016, we have an alternative minimum tax credit carry forward of approximately \$30.4 million and \$19.4 million, respectively. The Tax Act repeals the corporate alternative minimum tax (AMT), effective for tax years beginning after December 31, 2017, but allows an entity to claim portions of any unused AMT credits over the next four years to offset its regular tax liability. An entity with unused AMT credits as of December 31, 2017 can first use these credits to offset its regular tax for 2017, and can then claim up to 50 percent of the remaining AMT credits in 2018, 2019, and 2020, with all remaining AMT credits refundable in 2021.

At the end of each reporting period as presented, there were no material amounts of interest and penalties recognized in the statement of operations or balance sheets. We have no material unrecognized tax benefits or any known material tax contingencies at December 31, 2017 or December 31, 2016 and do not expect this to change significantly within the next twelve months. Tax returns filed with the IRS for the years 2014 through 2016 along with tax returns filed with numerous state entities remain subject to examination.

The income tax expense or benefit (in thousands) differed from the amount that would be provided by applying the U.S. federal statutory rate for the years ended December 31, 2017, 2016 and 2015 due to the following:

| | Years Ended December 31, | | |
|--|--------------------------|----------|----------|
| | 2017 | 2016 | 2015 |
| Income tax (expense) benefit computed at U.S. federal statutory rate | \$(47,784) | \$27,211 | \$(41) |
| Decrease (increase) resulting from: | | | |
| Statutory depletion | 20,259 | 4,734 | 8,918 |
| Prior year tax return reconciliation | 219 | 435 | 393 |
| State income taxes, net of federal benefit | (2,267) | 2,369 | 1,370 |
| Adjustment to deferred taxes from the Tax Act rate reduction | 35,772 | — | — |
| Equity compensation | 2,602 | 2,003 | — |
| Other, net | (121) | (63) | 1,111 |
| Income tax (expense) benefit | \$8,680 | \$36,689 | \$11,751 |

The largest permanent item in computing both our effective tax rate and taxable income is the deduction allowed for statutory depletion. The deduction for statutory depletion does not necessarily change proportionately to changes in income before income taxes.

NOTE R—OBLIGATIONS UNDER GUARANTEES

We have indemnified The Travelers Companies, Inc. and subsidiaries (“Travelers”) against any loss Travelers may incur in the event that holders of surety bonds, issued on behalf of us by Travelers, execute the bonds. As of December 31, 2017, Travelers had \$12.1 million in bonds outstanding for us. The majority of these bonds, \$10.3 million, relate to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to such indefinite purposes as licenses, permits, and tax collection.

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE S—RELATED PARTY TRANSACTIONS

A current officer of one of our operating subsidiaries holds an ownership interest in a transportation brokerage and logistics services vendor, from which we made purchases of approximately \$4.7 million and \$0.8 million for the years ended December 31, 2017 and 2016, respectively.

NOTE T—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 221 products and materials used in a variety of industries, including container glass, fiberglass, specialty glass, flat glass, building products, fillers and extenders, foundry products, chemicals, recreation products and filtration products.

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

The following table presents sales and segment contribution margin (in thousands) for the reporting segments and other operating results not allocated to the reported segments for the years ended December 31, 2017, 2016 and 2015:

| | Years Ended December 31, | | |
|--|--------------------------|-----------|-----------|
| | 2017 | 2016 | 2015 |
| Sales: | | | |
| Oil & Gas Proppants | \$1,020,365 | \$362,550 | \$430,435 |
| Industrial & Specialty Products | 220,486 | 197,075 | 212,554 |
| Total sales | \$1,240,851 | \$559,625 | \$642,989 |
| Segment contribution margin: | | | |
| Oil & Gas Proppants | \$301,972 | \$11,445 | \$88,928 |
| Industrial & Specialty Products | 88,781 | 78,988 | 70,137 |
| Total segment contribution margin | \$390,753 | \$90,433 | \$159,065 |
| Operating activities excluded from segment cost of sales | (17,417) | (8,103) | (11,142) |
| Selling, general and administrative | (107,592) | (67,727) | (62,777) |
| Depreciation, depletion and amortization | (97,233) | (68,134) | (58,474) |
| Interest expense | (31,342) | (27,972) | (27,283) |

| | | | | |
|--|-----------|---|------------|----------|
| Other income (expense), net, including interest income | (643 |) | 3,758 | 728 |
| Income tax (expense) benefit | 8,680 | | 36,689 | 11,751 |
| Net income (loss) | \$145,206 | | \$(41,056) | \$11,868 |

Asset information, including capital expenditures and depreciation, depletion, and amortization, by segment is not included in reports used by management in its monitoring of performance and, therefore, is not reported by segment. Goodwill of \$272.1 million has been allocated to these segments with \$247.5 million assigned to Oil & Gas Proppants and \$24.6 million to Industrial & Specialty Products at December 31, 2017. Goodwill of \$241.0 million has been allocated to these segments with \$220.3 million assigned to Oil & Gas Proppants and \$20.7 million to Industrial & Specialty Products at December 31, 2016.

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE U—UNAUDITED SUPPLEMENTARY DATA

The following table sets forth our unaudited quarterly consolidated statements of operations (in thousands, except per share data) for each of the four quarters in the years ended December 31, 2017 and 2016. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements and includes all adjustments, consisting only of normal recurring adjustments that are necessary to present fairly the financial information for the fiscal quarters presented. The income tax benefit amounts for 2016 first quarter and second quarter include the impacts from the early adoption of ASU 2016-09 discussed in Note B - Summary of Significant Accounting Policies to these financial statements.

| | First Quarter (Unaudited) | Second Quarter | Third Quarter | Fourth Quarter |
|---|---------------------------------|-------------------|------------------|-------------------|
| 2017 | | | | |
| Sales: | | | | |
| Product | \$209,321 | \$246,022 | \$295,768 | \$306,442 |
| Service | 35,476 | 44,443 | 49,255 | 54,124 |
| Cost of sales (excluding depreciation, depletion and amortization): | | | | |
| Product | 162,637 | 164,025 | 189,105 | 204,545 |
| Service | 24,838 | 33,386 | 38,818 | 50,161 |
| Operating expenses: | | | | |
| Selling, general and administrative | 22,341 | 26,012 | 29,602 | 29,637 |
| Depreciation, depletion and amortization | 21,599 | 23,626 | 24,673 | 27,335 |
| Total operating expenses | \$43,940 | \$49,638 | \$54,275 | \$56,972 |
| Operating income | 13,382 | 43,416 | 62,825 | 48,888 |
| Other income (expense): | | | | |
| Interest expense | (7,646) | (8,105) | (8,347) | (7,244) |
| Other income (expense), net, including interest income | (4,928) | 1,258 | 1,502 | 1,525 |
| Total other expense | \$(12,574) | \$(6,847) | \$(6,845) | \$(5,719) |
| Income before income taxes | 808 | 36,569 | 55,980 | 43,169 |
| Income tax (expense) benefit | 1,714 | (7,110) | (14,707) | 28,783 |
| Net income | \$2,522 | \$29,459 | \$41,273 | \$71,952 |
| Earnings per share, basic | \$0.03 | \$0.36 | \$0.51 | \$0.89 |
| Earnings per share, diluted | \$0.03 | \$0.36 | \$0.50 | \$0.88 |
| Weighted average shares outstanding, basic | 80,983 | 81,087 | 81,121 | 81,014 |
| Weighted average shares outstanding, diluted | 82,244 | 81,945 | 81,783 | 81,921 |
| Dividends declared per share | \$0.06 | \$0.06 | \$0.06 | \$0.06 |
| | First Quarter (Unaudited) | Second Quarter | Third Quarter | Fourth Quarter |
| 2016 | | | | |
| Sales: | | | | |
| Product | \$121,627 | \$116,039 | \$125,805 | \$160,429 |
| Service | 883 | 955 | 11,943 | 21,944 |
| Cost of sales (excluding depreciation, depletion and amortization): | | | | |
| Product | 106,629 | 102,587 | 112,215 | 133,758 |
| Service | 122 | 120 | 7,211 | 14,653 |

Operating expenses:

| | | | | |
|--|--------|--------|--------|--------|
| Selling, general and administrative | 15,503 | 14,585 | 18,472 | 19,167 |
| Depreciation, depletion and amortization | 14,556 | 15,209 | 17,175 | 21,194 |

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| | | | | |
|--|------------|------------|------------|------------|
| Total operating expenses | \$30,059 | \$29,794 | \$35,647 | \$40,361 |
| Operating loss | (14,300) | (15,507) | (17,325) | (6,399) |
| Other income (expense): | | | | |
| Interest expense | (6,643) | (6,647) | (6,684) | (7,998) |
| Other income, net, including interest income | 1,790 | 608 | 493 | 867 |
| Total other expense | \$(4,853) | \$(6,039) | \$(6,191) | \$(7,131) |
| Loss before income taxes | (19,153) | (21,546) | (23,516) | (13,530) |
| Income tax benefit (expense) | 8,150 | 9,774 | 12,177 | 6,588 |
| Net income (loss) | \$(11,003) | \$(11,772) | \$(11,339) | \$(6,942) |
| Loss per share, basic | \$(0.20) | \$(0.19) | \$(0.17) | \$(0.09) |
| Loss per share, diluted | \$(0.20) | \$(0.19) | \$(0.17) | \$(0.09) |
| Weighted average shares, basic | 54,470 | 63,417 | 66,676 | 75,539 |
| Weighted average shares, diluted | 54,470 | 63,417 | 66,676 | 75,539 |
| Dividends declared per share | \$0.06 | \$0.06 | \$0.06 | \$0.06 |

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V—PARENT COMPANY FINANCIALS

U.S. SILICA HOLDINGS, INC.

(PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS

| | December 31, | |
|--|----------------|--------------|
| | 2017 | 2016 |
| | (in thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 230,647 | \$ 534,378 |
| Due from affiliates | 146,683 | — |
| Total current assets | 377,330 | 534,378 |
| Investment in subsidiaries | 1,024,511 | 854,860 |
| Total assets | \$ 1,401,841 | \$ 1,389,238 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accrued expenses and other current liabilities | \$ 106 | \$ 461 |
| Dividends payable | 5,229 | 5,222 |
| Due to affiliates | — | 110,265 |
| Total current liabilities | 5,335 | 115,948 |
| Deferred income taxes, net | — | — |
| Total liabilities | 5,335 | 115,948 |
| Stockholders' Equity: | | |
| Preferred stock | — | — |
| Common stock | 812 | 811 |
| Additional paid-in capital | 1,147,084 | 1,129,051 |
| Retained earnings | 287,992 | 163,173 |
| Treasury stock, at cost | (25,456) | (3,869) |
| Accumulated other comprehensive loss | (13,926) | (15,876) |
| Total stockholders' equity | 1,396,506 | 1,273,290 |
| Total liabilities and stockholders' equity | \$ 1,401,841 | \$ 1,389,238 |

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. SILICA HOLDINGS, INC.

(PARENT COMPANY ONLY)

CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

| | Year Ended December 31, | | |
|---|--|------------|-------------|
| | 2017 | 2016 | 2015 |
| | (in thousands, except per share amounts) | | |
| Sales | \$ — | \$ — | \$ — |
| Cost of sales | — | — | — |
| Operating expenses | | | |
| Selling, general and administrative | 252 | 184 | 185 |
| Other | — | 10 | 19 |
| Total operating expenses | 252 | 194 | 204 |
| Operating loss | (252 |) (194 |) (204 |
| Other income (expense) | | | |
| Interest income | 3,854 | 1,046 | 262 |
| Other income, net, including interest income | — | — | 1 |
| Total other income (expense) | 3,854 | 1,046 | 263 |
| Income before income taxes and equity in net earnings of subsidiaries | 3,602 | 852 | 59 |
| Income tax benefit (expense) | (1,453 |) (344 |) (24 |
| Income before equity in net earnings of subsidiaries | 2,149 | 508 | 35 |
| Equity in earnings of subsidiaries, net of tax | 143,057 | (41,564 |) 11,833 |
| Net income (loss) | 145,206 | (41,056 |) 11,868 |
| Other comprehensive income (loss), net of deferred income taxes: | | | |
| Unrealized gain (loss) on investments (net of tax of \$0, \$(4), and \$29 for 2017, 2016, and 2015, respectively) | — | (6 |) 47 |
| Unrealized gain (loss) on derivatives, (net of tax of \$(27), \$29 and \$34 for 2017, 2016 and 2015, respectively) | (44 |) 49 | 53 |
| Foreign currency translation adjustment (net of tax of \$2, \$0 and \$0 for 2017, 2016 and 2015, respectively) | (6 |) — | — |
| Pension and post-retirement liability (net of tax of \$1,205, \$152, and \$2,469 for 2017, 2016 and 2015, respectively) | 2,000 | 252 | 3,547 |
| Other comprehensive income (loss), net of deferred income taxes | 1,950 | 295 | 3,647 |
| Comprehensive income (loss) attributable to U.S. Silica Holdings, Inc. | \$ 147,156 | \$ (40,761 |) \$ 15,515 |

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. SILICA HOLDINGS, INC.

(PARENT COMPANY ONLY)

CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY

| | Par Value | Treasury Stock | Additional Paid-In Capital | Retained Earnings-Present | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|-----------|----------------|----------------------------|---------------------------|---|----------------------------|
| Balance at January 1, 2015 | \$ 539 | \$(542) | \$ 191,086 | \$ 232,551 | \$ (19,818) | \$ 403,816 |
| Net income | — | — | — | 11,868 | — | 11,868 |
| Unrealized gain on derivatives | — | — | — | — | 53 | 53 |
| Unrealized gain on short-term investments | — | — | — | — | 47 | 47 |
| Pension and post-retirement liability | — | — | — | — | 3,547 | 3,547 |
| Cash dividend declared (\$0.438 per share) | — | — | — | (23,445) | — | (23,445) |
| Common stock-based compensation plans activity: | | | | | | |
| Equity-based compensation | — | — | 3,857 | — | — | 3,857 |
| Proceeds from options exercised | — | 744 | (271) | — | — | 473 |
| Shares withheld for employee taxes related to vested restricted stock and stock units | — | (792) | (2) | — | — | (794) |
| Repurchase of common stock | — | (15,255) | — | — | — | (15,255) |
| Balance at December 31, 2015 | \$ 539 | \$(15,845) | \$ 194,670 | \$ 220,974 | \$ (16,171) | \$ 384,167 |
| Net loss | — | — | — | (41,056) | — | (41,056) |
| Issuance of common stock (stock offerings net of issuance costs of \$25,732) | 272 | — | 931,016 | — | — | 931,288 |
| Unrealized gain on derivatives | — | — | — | — | 49 | 49 |
| Unrealized loss on short-term investments | — | — | — | — | (6) | (6) |
| Pension and post-retirement liability | — | — | — | — | 252 | 252 |
| Cash dividend declared (\$0.25 per share) | — | — | — | (16,893) | — | (16,893) |
| Common stock-based compensation plans activity: | | | | | | |
| Equity-based compensation | — | — | 12,107 | — | — | 12,107 |
| Excess tax benefit from equity-based compensation | — | — | — | 148 | — | 148 |
| Proceeds from options exercised | — | 8,465 | (3,640) | — | — | 4,825 |
| Issuance of restricted stock | — | 1,437 | (1,437) | — | — | — |
| Shares withheld for employee taxes related to vested restricted stock and stock units | — | 2,074 | (3,665) | — | — | (1,591) |
| Balance at December 31, 2016 | \$ 811 | \$(3,869) | \$ 1,129,051 | \$ 163,173 | \$ (15,876) | \$ 1,273,290 |
| Net Income | — | — | — | 145,206 | — | 145,206 |
| Unrealized loss on derivatives | — | — | — | — | (44) | (44) |
| Foreign currency translation adjustment | — | — | — | — | (6) | (6) |
| Pension and post-retirement liability | — | — | — | — | 2,000 | 2,000 |
| Cash dividend declared (\$0.25 per share) | — | — | — | (20,387) | — | (20,387) |

Common stock-based compensation plans

activity:

| | | | | | | |
|---|--------|------------|--------------|------------|--------------|--------------|
| Equity-based compensation | — | — | 25,050 | — | — | 25,050 |
| Proceeds from options exercised | — | 1,190 | (392) | — | — | 798 |
| Issuance of restricted stock | — | 1,859 | (1,859) | — | — | — |
| Shares withheld for employee taxes related to vested restricted stock and stock units | 1 | 386 | (4,766) | — | — | (4,379) |
| Repurchase of common stock | — | (25,022) | | | | (25,022) |
| Balance at December 31, 2017 | \$ 812 | \$(25,456) | \$ 1,147,084 | \$ 287,992 | \$ (13,926) | \$ 1,396,506 |

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. SILICA HOLDINGS, INC.

(PARENT COMPANY ONLY)

CONDENSED STATEMENT OF CASH FLOWS

| | Year Ended December 31, | | |
|--|-------------------------|------------|----------|
| | 2017 | 2016 | 2015 |
| | (in thousands) | | |
| Operating activities: | | | |
| Net income (loss) | \$145,206 | \$(41,056) | \$11,868 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Undistributed (Income) loss from equity method investment, net | (143,057) | 41,564 | (11,833) |
| Other | — | (30) | (195) |
| Changes in assets and liabilities, net of effects of acquisitions: | | | |
| Accounts payable and accrued liabilities | 48 | 353 | 29 |
| Net cash provided by (used in) operating activities | 2,197 | 831 | (131) |
| Investing activities: | | | |
| Proceeds from sales and maturities of short-term investments | — | 21,872 | 53,568 |
| Investment in subsidiary | (143,654) | (188,177) | — |
| Net cash provided by (used in) investing activities | (143,654) | (166,305) | 53,568 |
| Financing activities: | | | |
| Dividends paid | (20,377) | (15,125) | (26,797) |
| Repurchase of common stock | (25,022) | — | (15,255) |
| Proceeds from options exercised | 798 | 4,603 | 473 |
| Tax payments related to shares withheld for vested restricted stock and stock units | (4,379) | (1,590) | (794) |
| Issuance of common stock (secondary offering) | — | 678,791 | — |
| Issuance of treasury stock | — | 221 | — |
| Costs of common stock issuance | — | (25,733) | — |
| Net financing activities with subsidiaries | (113,294) | 106 | 223 |
| Net cash provided by (used in) financing activities | (162,274) | 641,273 | (42,150) |
| Net increase in cash and cash equivalents | (303,731) | 475,799 | 11,287 |
| Cash and cash equivalents, beginning of period | 534,378 | 58,579 | 47,292 |
| Cash and cash equivalents, end of period | \$230,647 | \$534,378 | \$58,579 |
| Non-cash financing activities: | | | |
| Supplemental cash flow information: | | | |
| Cash paid (received) during the period for: | | | |
| Interest | \$(3,853) | \$(1,046) | \$(263) |
| Non-cash transactions | | | |
| Common stock issued for business acquisitions | \$— | \$278,229 | \$— |

Notes to Condensed Financial Statements of Registrant (Parent Company Only)

These condensed parent company only financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X, because the restricted net assets of the subsidiaries of U.S. Silica Holdings, Inc. (as defined in Rule 4-08(e)(3) of Regulation S-X) exceed 25% of the consolidated net assets of the Company. The ability

of the Company's

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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

operating subsidiaries to pay dividends may be restricted due to the terms of the Company's senior credit facility, as discussed in Note I - Accrued Liabilities to these financial statements.

These condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements; the only exceptions are that (a) the parent company accounts for its subsidiaries using the equity method of accounting, (b) taxes are allocated to the parent from the subsidiary using the separate return method, and (c) intercompany loans are not eliminated. In the parent company financial statements, the Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries since the date of acquisition. These condensed parent company financial statements should be read in conjunction with the Company's consolidated financial statements and related notes thereto included elsewhere in this report.

No cash dividends were paid to the parent by its consolidated entities for the years presented in the condensed financial statements.

NOTE W—SUBSEQUENT EVENTS

On February 16, 2018, our Board of Directors declared a quarterly cash dividend of \$0.0625 per share to common stockholders of record at the close of business on March 15, 2018, payable on April 5, 2018.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 December 31, 2017. 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 December 31, 2017, 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.

Management’s Annual Report on Internal Control over Financial Reporting

Our management, under the direction of our chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f).

Our system of internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the framework in 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As noted in the COSO framework, an internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance to management and the Board of Directors regarding achievement of an entity's financial reporting objectives. We have excluded the internal control over financial reporting of Mississippi Sand, LLC (“MS Sand”) from the evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017. This decision is based upon the significance of MS Sand and the timing of integration efforts underway to transition MS Sand's processes, information technology systems and other components of internal control over financial reporting to our internal control structure. MS Sand's total assets represented 5% of the related consolidated total assets as of December 31, 2017. We have expanded our consolidation and disclosure controls and procedures to include MS Sand, and we continue to assess the current internal control over financial reporting. Based upon the evaluation under this framework, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2017, as stated in their report below.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended December 31, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as noted above.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

U.S. Silica Holdings, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of US Silica Holdings, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2017, and our report dated February 21, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying financial statements (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of Mississippi Sand LLC (MS Sand), a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 5 and 2 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2017. As indicated in Management’s Report, MS Sand was acquired during 2017. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of MS Sand.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Baltimore, Maryland

February 21, 2018

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ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item with respect to directors and corporate governance will be set forth under “Proposal No. 1: Election of Directors” in the 2018 Proxy Statement and incorporated herein by reference.

The information required by this item with respect to executive officers of U.S. Silica, pursuant to instruction 3 of paragraph (b) of Item 401 of Regulation S-K, is set forth following Part I, Item 1 of this Annual Report on Form 10-K under “Executive Officers of the Registrant”.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth under “Executive and Director Compensation” and “Report of Compensation Committee” in the 2018 Proxy Statement and incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 403 of Regulation S-K regarding security ownership of certain beneficial owners and management will be set forth under “Stock Ownership” in the 2018 Proxy Statement and incorporated herein by reference.

The information required by Item 201(d) of Regulation S-K regarding securities authorized for issuance under equity compensation plans is furnished as a separate item captioned “Securities Authorized for Issuance Under Equity Compensation Plans” included in Part II, Item 5 of this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth under “Transactions with Related Persons” and “Determination of Independence” in the 2018 Proxy Statement and incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be set forth under “Ratification of Grant Thornton LLP as Independent Registered Public Accounting Firm for 2018” in the 2018 Proxy Statement and incorporated herein by reference.

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PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this report:

a) Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of Grant Thornton LLP, dated February 21, 2018, are included as part of Item 8, "Financial Statements and Supplementary Data."

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| Report of Independent Registered Public Accounting Firm | <u>71</u> |
| Consolidated Balance Sheets as of December 31, 2017 and 2016 | <u>72</u> |
| Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015 | <u>73</u> |
| Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015 | <u>74</u> |
| Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2017, 2016 and 2015 | <u>75</u> |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015 | <u>76</u> |
| Notes to the Consolidated Financial Statements | <u>78</u> |

b) Financial Statement Schedules

Schedule I - Condensed Financial Information of Parent (U.S. Silica Holdings, Inc.) at December 31, 2017 and 2016 and for the years ended December 31 2017, 2016 and 2015 is included in Note V to the Consolidated Financial Statements.

c) Exhibits required to be filed by Item 601 of Regulation S-K

The information called for by this Item is incorporated herein by reference from the Exhibit Index included in this Annual Report.

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ITEM 16. FORM 10-K SUMMARY

Not applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 21st day of February 2018.

U.S. Silica Holdings, Inc.

/s/ BRYAN A. SHINN

Name: Bryan A. Shinn

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Name | Capacity | Date |
|---|---|-------------------|
| /S/ BRYAN A. SHINN Bryan A. Shinn | President, Chief Executive Officer and Director (Principal Executive Officer) | February 21, 2018 |
| /S/ DONALD A. MERRIL Donald A. Merrill | Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) | February 21, 2018 |
| /S/ CHARLES SHAVER Charles Shaver | Chairman of the Board | February 21, 2018 |
| /S/ PETER BERNARD Peter Bernard | Director | February 21, 2018 |
| /s/ DIANE DUREN Diane Duren | Director | February 21, 2018 |
| /S/ WILLIAM J. KACAL William J. Kacal | Director | February 21, 2018 |
| /S/ J. MICHAEL STICE J. Michael Stice | Director | February 21, 2018 |

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EXHIBIT INDEX

| Exhibit Number | Description | Incorporated by Reference | | | |
|-------------------|--|---------------------------|------------|---------|-------------------|
| | | Form | File No. | Exhibit | Filing Date |
| <u>2.1#</u> | Agreement and Plan of Merger, dated as of July 15, 2016, by and among U.S. Silica Holdings, Inc., New Birmingham Merger Corp., NBI Merger Subsidiary II, Inc., New Birmingham, Inc. and each of David Durrett and Erik Dall, as representatives of the sellers and optionholders. | 10-Q | 001-35416 | 2.1 | November 4, 2016 |
| <u>2.2#</u> | Membership Unit Purchase Agreement, dated as of August 1, 2016, by and among U.S. Silica Company, U.S. Silica Holdings, Inc., Sandbox Enterprises, LLC, the members of Sandbox Enterprises, LLC and Sandy Creek Capital, LLC, as representative of the sellers. | 10-Q | 001-35416 | 2.2 | November 4, 2016 |
| <u>3.1</u> | Third Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective May 4, 2017. | 8-K | 001-35416 | 3.1 | May 10, 2017 |
| <u>3.2</u> | Third Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective May 4, 2017. | 8-K | 001-35416 | 3.2 | May 10, 2017 |
| <u>4.1</u> | Specimen Common Stock Certificate. | S-1/A | 333-175636 | 4.1 | December 7, 2011 |
| <u>10.1</u> | Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of July 23, 2013, by and among USS Holdings, Inc. as Parent, U.S. Silica Company as Company, the Subsidiary Guarantors listed therein as Subsidiary Guarantors, the Lenders listed therein as Lenders and BNP Paribas as Administrative Agent. | 8-K | 001-35416 | 10.10 | July 29, 2013 |
| <u>10.2+</u> | Employment Agreement, dated as of March 22, 2012, by and between U.S. Silica Company and Bryan A. Shinn. | 8-K | 001-35416 | 10.11 | March 22, 2012 |
| <u>10.3+</u> | Amended and Restated 2011 Incentive Compensation Plan. | 8-K | 001-35416 | 10.1 | May 11, 2015 |
| <u>10.4+</u> | Form of Incentive Stock Option Agreement. | S-1/A | 333-175636 | 10.15 | August 29, 2011 |
| <u>10.5+</u> | Form of Restricted Stock Agreement. | S-1/A | 333-175636 | 10.16 | August 29, 2011 |
| <u>10.6+</u> | Form of Nonqualified Stock Option Agreement. | S-1/A | 333-175636 | 10.17 | August 29, 2011 |
| <u>10.7+</u> | Form of Stock Appreciation Rights Agreement. | S-1/A | 333-175636 | 10.18 | August 29, 2011 |
| <u>10.8+</u> | Form of Restricted Stock Unit Agreement. | S-1/A | 333-175636 | 10.19 | August 29, 2011 |
| <u>10.9+</u> | Form of Performance Share Unit Agreement. | 10-K | 001-35416 | 10.12 | February 26, 2014 |
| <u>10.10</u> | Form of Indemnification Agreement. | S-1/A | 333-175636 | 10.20 | December 29, 2011 |
| <u>10.11+</u> | Letter Agreement, dated as of December 27, 2011, by and between William J. Kacal and U.S. Silica Holdings, Inc. | S-1/A | 333-175636 | 10.24 | December 29, 2011 |
| <u>10.12+</u> | Letter Agreement, dated April 27, 2012, by and between Peter Bernard and U.S. Silica Holdings, Inc. | 8-K | 001-35416 | 10.10 | May 1, 2012 |
| <u>10.13+</u> | Letter Agreement, dated October 8, 2013, by and between J. Michael Stice and U.S. Silica Holdings, Inc. | 8-K | 001-35416 | 10.10 | October 11, 2013 |
| <u>10.14+</u> | Omnibus Amendment dated February 18, 2016 to Award Agreements. | 8-K | 001-35416 | 10.3 | February 23, 2016 |

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|---|------|-----------|-------|-------------------|
| <u>10.15</u> + Joinder Agreement to Second Amended and Restated Credit Agreement, dated as of December 5, 2014. | 8-K | 001-35416 | 10.1 | December 11, 2014 |
| <u>10.16</u> + Form of Nonqualified Stock Option Agreement. | 10-K | 001-35416 | 10.2 | February 25, 2015 |
| <u>10.17</u> + Change in Control Severance Plan of U.S. Silica Holdings, Inc. | 8-K | 001-35416 | 10.1 | February 23, 2016 |
| <u>10.18</u> + Amendment dated February 18, 2016 to Employment Agreement by and between U.S. Silica Holdings, Inc. and Bryan Shinn. | 8-K | 001-35416 | 10.2 | February 23, 2016 |
| <u>10.19</u> + Form of Performance Share Unit Agreement (TSR metric). | 10-Q | 001-35416 | 10.4 | April 27, 2016 |
| <u>10.20</u> + Omnibus Amendment dated November 3, 2016 to Award Agreements. | 10-K | 001-35416 | 10.22 | February 23, 2017 |
| <u>10.21</u> + Amendment No. 1 dated November 3, 2016 to Amended and Restated 2011 Incentive Compensation Plan | 10-K | 001-35416 | 10.23 | February 23, 2017 |
| <u>10.22</u> + Letter Agreement, effective August 15, 2017, by and between Diane Duren and U.S. Silica Holdings, Inc. | 8-K | 001-35416 | 10.1 | August 18, 2017 |
| <u>21.1</u> * List of subsidiaries of U.S. Silica Holdings, Inc. | | | | |
| <u>23.1</u> * Consent of Independent Registered Public Accounting Firm. | | | | |
| <u>31.1</u> * Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer. | | | | |
| <u>31.2</u> * Rule 13a-14(a)/15(d)-14(a) Certification by Donald A. Merrill, Chief Financial Officer. | | | | |
| <u>32.1</u> * Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer. | | | | |
| <u>32.2</u> * Section 1350 Certification by Donald A. Merrill, Chief Financial Officer. | | | | |
| <u>95.1</u> * Mine Safety Disclosure | | | | |
| <u>99.1</u> * Consent of IHS Markit. | | | | |
| 101* 101.INS XBRL Instance | | | | |
| 101.SCH XBRL Taxonomy Extension Schema | | | | |
| 101.CAL XBRL Taxonomy Extension Calculation | | | | |
| 101.LAB XBRL Taxonomy Extension Labels | | | | |
| 101.PRE XBRL Taxonomy Extension Presentation | | | | |
| 101.DEF XBRL Taxonomy Extension Definition | | | | |

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We will furnish the omitted schedules to #the Securities and Exchange Commission upon request by the Commission.

+Management contract or compensatory plan/arrangement

*Filed herewith

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