BCIP ASSOCIATES II-C
Form 4
November 22, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
BAIN CAPITAL INVESTORS LLC

(Last) (First) (Middle)

, 111 HUNTINGTON AVENUE

(Street)

BOSTON, MA 02199

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
DOMINOS PIZZA INC [DPZ]

3. Date of Earliest Transaction (Month/Day/Year)
11/18/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
_X_ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $.01 par value	11/18/2005		S		4,796 (5)	D	$ 24.45	20,642,801	I	See footnotes (1) (2) (3) (4)
Common Stock, $.01 par value	11/21/2005		S		3,118 (6)	D	$ 24.72	20,639,683	I	See footnotes (1) (2) (3) (4)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BAIN CAPITAL INVESTORS LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199		X		
BAIN CAPITAL FUND VI LP C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199		X		
Bain Capital VI Coinvestment Fund, L.P. C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199		X		
BCIP ASSOCIATES II C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199		X		
BCIP ASSOCIATES II B C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199		X		
BCIP TRUST ASSOCIATES II C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199		X		
BCIP TRUST ASSOCIATES II B		X		

C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199	
BCIP ASSOCIATES II-C C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199	X
PEP INVESTMENTS PTY LTD C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199	X
BAIN CAPITAL PARTNERS VI LP C/O BAIN CAPITAL INVESTORS, LLC 111 HUNTINGTON AVENUE BOSTON, MA 02199	X

Signatures

Bain Capital Investors, LLC	11/22/2005
**Signature of Reporting Person	Date
by: /s/ Michael F. Goss	11/22/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Bain Capital Investors, LLC ("BCI") is the sole general partner of Bain Capital Partners VI, L.P. ("BCP"), which is the sole general partner of Bain Capital Fund VI, L.P. ("Fund VI, L.P."). As a result, each of BCI, BCP and Fund VI, L.P. may be deemed to share voting and dispositive power with respect to the shares of Common Stock held by Fund VI, L.P. Each of BCI and BCP disclaims beneficial ownership of such securities except to the extent of its pecuniary interest therein.

(2) BCP is the sole general partner of Bain Capital VI Coinvestment Fund, L.P. ("Coinvestment Fund VI, L.P."). As a result, each of BCI, BCP and Coinvestment Fund VI, L.P. may be deemed to share voting and dispositive power with respect to the shares of Common Stock held by Coinvestment Fund VI, L.P. Each of BCI and BCP disclaims beneficial ownership of such securities except to the extent of its pecuniary interest therein.

(3) BCI is the managing general partner of each of BCIP Associates II ("BCIP II"), BCIP Associates II-B ("BCIP II-B"), BCIP Trust Associates II ("BCIPT II"), BCIP Trust Associates II-B ("BCIPT II-B"), BCIP Associates II-C ("BCIP II-C"), BCIP Repurchase Holdings ("BCIPRH") and BCIP Trust Repurchase Holdings (BCIPTRH" and, together with BCIP, BCIP II-B, BCIPT II, BCIPT II-B, BCIP II-C and BCIPRH, the "BCIP Funds") and thus may be deemed to share voting and dispositive power with respect to the shares of Common Stock held by the BCIP Funds. BCI disclaims beneficial ownership of such securities except to the extent of its pecuniary interest therein.

(4) BCI is the attorney-in-fact for PEP Investments PTY Ltd. ("PEP") and as a result, BCI may be deemed to share voting and dispositive power with respect to the shares of Common Stock held by PEP. BCI disclaims beneficial ownership of such securities except to the extent of its pecuniary interest therein.

(5) Includes 3,461 shares sold by BCIPT II and 1,335 shares sold by BCIPT II-B. BCI disclaims beneficial ownership of all such shares in which it did not have a pecuniary interest.

(6) Includes 2,250 shares sold by BCIPT II and 868 shares sold by BCIPT II-B. BCI disclaims beneficial ownership of all such shares in which it did not have a pecuniary interest.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. t-size:8pt;">(1,591
)

(794
)

(614
)
Advances from customers
—

—

100,000

Issuance of long-term debt
—

—

134,325

Repayment of long-term debt
(5,202
)

(5,093
)

(3,750
)
Principal payments on capital lease obligations
(542
)

—

(132
)
Financing fees
—

(64

)

(2,871
)
Net cash provided by (used in) financing activities
635,424

(47,530
)

208,964

Net increase in cash and cash equivalents
434,148

14,011

189,469

Cash and cash equivalents, beginning of period
277,077

263,066

73,597

Cash and cash equivalents, end of period
$
711,225

$
277,077

$
263,066

Supplemental cash flow information:

Cash paid (received) during the period for:

Interest
$
21,994

$
21,729

$
15,920

Taxes
$
(11,322
)

$
4,568

$
37,637

Non-cash items:

Common stock issued in connection with acquisitions
$
278,229

$
—

$
—

Capital lease obligations incurred to acquire assets
$
165

$
—

$
—

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 116 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: (1) Oil & Gas Proppants and (2) Industrial & Specialty Products (see Note S - 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 purchase of all of the outstanding units of membership interest of Sandbox Enterprises, LLC (“Sandbox”), a “last mile” transportation service provider in the oil and gas industry. See Note D - Business Combinations for more details for these two 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. We have reclassified certain immaterial amounts in the prior years’ operating activities section section of the consolidated statement of cash flows 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 entities over which we maintain any level of control that would qualify for consolidation under ASC guidance.

Use of Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the 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; 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 sales are primarily a function of the price per ton and the number of tons sold. The amount invoiced reflects product, transportation and 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, competitively-bid take-or-pay supply agreements. As of December 31, 2016, we had seven take-or-pay 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 that our customers will pay for each product. Prices under these agreements are generally fixed and subject to upward adjustment in response to certain cost increases. Some of these existing agreements are under active 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 take-or-pay supply agreements.
We invoice the majority of our clients 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.
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 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.
Checks we issued but have not cleared our bank accounts frequently result in book overdraft balances. In 2015, we changed the presentation of book overdraft from being classified as a liability to a reduction to our cash and cash equivalents. As a result of this change, the amount of cash and cash equivalents was reduced by the book overdraft amounts as of December 31, 2016, 2015 and 2014 was \$3.2 million, \$6.7 million and \$4.2 million, respectively.
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. Our ten largest customers accounted for approximately 52%, 56%, and 57% of sales in the years ended December 31, 2016, 2015 and 2014, respectively. Sales to our largest customer, Halliburton Company, which is an Oil & Gas Proppants customer, accounted for 13% of our total revenues during the year ended December 31, 2016. No other customer accounted for 10% or more of our total revenues. 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 or net realizable value. Cost is determined

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U.S. SILICA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 life 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 has 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

settlement dates at various sites. These additions and changes in estimates resulted in an additional $(2.1) million and $0.2 million of asset retirement obligations in 2016 and 2015, respectively.
Our asset retirement obligations are reported in other long-term obligations. The changes in these obligations (in thousands) during the year ending December 31, 2016 and 2015 are as follows:

	2016	2015
Beginning balance	$12,254	$11,283
Accretion	979	812
Additions and revisions of prior estimates	(2,074)	159
Ending balance	$11,159	$12,254

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 was acquired in connection with our Sandbox acquisition and mainly consists of patents and technology. It is amortized on a straight-line basis over an average useful life of 15 years. As of December 31, 2016, the gross carrying amount of the intellectual property intangible asset was $58.7 million with accumulated amortization of $1.4 million. During the year ended December 31, 2016, we capitalized $0.9 million in legal costs and patent filing costs. As of December 31, 2016, the remaining useful life was 14.6 years. The estimated annual amortization in each of the next five years is $3.8 million. Amortization expense for intellectual property was $1.4 million for the year ended December 31, 2016.
Customer relationships are amortized on a straight-line basis over their useful life of 20, 15 or 13 years. We acquired additional customer relationships in connection with our NBI and Sandbox acquisitions during the year ended December 31, 2016. As of December 31, 2016, the gross carrying amount of the customer relationships intangible asset was $55.7 million with accumulated amortization of $4.8 million. As of December 31, 2016, the weighted average remaining useful life of our customer relationships was 13.0 years. The estimated annual amortization in each of the next five years is $4.0 million. Amortization expense was $1.8 million, $0.5 million and $0.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.
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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fair value is the excess of our fair value over the fair value of all recognized and unrecognized assets and liabilities. As of December 31, 2016, our qualitative assessment did not indicate that it was more likely than not that an impairment had occurred.

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 direct deduction from the carrying amount of the debt. Amortization included in interest expense was $1.4 million, $1.4 million and $0.9 million for the years ended December 31, 2016, 2015 and 2014, 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 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. For December 31, 2016 and 2015, our self-insurance reserves totaled $5.3 million and $5.7 million, respectively, and $1.3 million and $1.8 million was classified as current, respectively.

Equity-based Compensation

We recognize the cost of employee services rendered in exchange for awards of equity instruments, including stock options, restricted stock, restricted stock units and performance share units.

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 year ended December 31, 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, 2016 through December 31, 2018. 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.

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U.S. SILICA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The 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 options granted, we estimate the fair value of each grant using the Black-Scholes option-pricing model. The weighted-average fair value per share of options granted during the years ended December 31, 2015 and 2014 was $13.11 and $19.37, respectively. The fair value of stock options granted have been calculated based on the exercise price of the option and the following assumptions, which are evaluated and revised, as necessary, to reflect market conditions and experience. There were no options granted during the year ended December 31, 2016.

	Weighted-average Year ended December 31,			
	2015		2014	
Risk-free interest rate	1.68	%	1.81	%
Expected volatility	48	%	45	%
Expected term	6.25 years		6.25 years	
Expected dividend yield	1	%	1	%
Expected forfeiture rate	0	%	0	%

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. We account for forfeitures as they occur.

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.

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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 options (in thousands) that are antidilutive and are therefore excluded from the calculation of diluted earnings per common share are:

	For the Year Ended December 31,		
	2016	2015	2014
Weighted-average outstanding stock options excluded	573	528	33
Weighted-average outstanding restricted stock awards excluded	166	66	20

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, unrealized gain or loss on our short term investments and the effective portion of changes in fair value of derivative instruments that qualify as cash flow hedges.

Short-term Investments
Our short-term investments consist of fixed income securities that have been classified and accounted for as available-for-sale. We determine the appropriate classification of our investments at the time of purchase and reevaluate the designations at each balance sheet date. We classify these securities as either short-term or long-term based on each instrument’s underlying contractual maturity date. Fixed income securities with maturities of 12 months or less are classified as short-term and fixed income securities with maturities greater than 12 months are classified as long-term. These investments are carried at fair value, with the unrealized gains and losses, net of taxes, reported as a separate component of accumulated other comprehensive income. The cost of securities sold is based upon the specific identification method.
We typically invest in highly-rated securities, and our investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates, and our intent to sell, or whether it is more likely than not we will be required to sell, the investment before recovery of the investment’s cost basis. As of December 31, 2015, we considered any losses in our short-term investment portfolio to be temporary in nature and did not consider any of our investments other-than-temporarily impaired. All short-term investments have matured as of December 31, 2016.

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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 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 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.
Recently Adopted Accounting Pronouncements
In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, Interest-Imputation of Interest, which simplifies presentation of debt issuance costs. The new standard requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The new standard was effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption of the amendments in this Update is permitted for financial statements that have not been previously issued. We have elected to adopt the standard early and have presented debt issuance costs as a direct deduction from the carrying amount of debt on our Balance Sheets as of December 31, 2016 and December 31, 2015.
In November 2015, the FASB issued ASU 2015-17, Income Taxes - Balance Sheet Classification of Deferred Taxes, which will require the presentation of deferred tax liabilities and assets be classified as non-current on balance sheets. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application is permitted for all entities as of the beginning of an interim or annual reporting period. We have elected to early adopt this guidance prospectively as of December 31, 2015. The adoption only impacted deferred tax presentation on our Balance Sheets and related disclosure. No prior periods were retrospectively adjusted.
In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. The new standard requires an entity to measure most inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The new standard will not apply to inventories that are measured using either the last-in, first-out (LIFO) method or the retail inventory method. This Update is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years; early application is permitted. We elected to prospectively early adopt the standard effective January 1, 2016 and have measured our inventory at the lower of cost and net realizable value on our Balance Sheet. The impacts of the early adoption of this Update on our Financial Statements are not significant.
In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation." The update requires that excess tax benefits and deficiencies be recorded in the income statement when the awards vest or are settled. It also

eliminates the requirement that excess tax benefits be realized (reduce cash taxes payable) before being recognized. Previously, an entity could not recognize excess tax benefits if the tax deduction increased a net operating loss ("NOL") or tax credit carryforward. The updated standard no longer requires cash flows related to excess tax benefits to be presented as a financing activity separate from other income tax cash flows. The update also allows the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting, clarifies that all cash payments to taxing authorities made on an employee's behalf for withheld shares should be presented as a financing activity on the statement of cash flows, and provides for an accounting policy election to account for forfeitures as they occur. The update is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods and permits early adoption.

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We elected to early adopt this update during the three months ended September 30, 2016, which requires any adjustments to be reflected as of January 1, 2016. This resulted in the recognition of excess tax benefits on our Balance Sheet that were previously not recognized, as the benefits would have increased our NOL or tax credit carryforwards. The recognition decreased net deferred tax liability by $0.1 million and $2.2 million as of January 1, 2016 and December 31, 2016, respectively. Retained earnings on January 1, 2016 was increased accordingly by $0.1 million. In addition, we will recognize excess tax benefits or deficiencies in the provision for income taxes rather than paid-in capital for 2016 and future periods. Adoption of the update resulted in the reduction in the provision for income taxes of $2.2 million for the year ended December 31, 2016.

The effect of the adoption of this update on our previously reported income tax provision on our Income Statement was a decrease in tax benefit of $0.3 million for the three months ended March 31, 2016 and an increase in tax benefit of $0.2 million for the three months ended June 30, 2016, respectively.

We elected to include excess tax benefits as operating activities in the Cash Flow on a prospective basis. Prior periods are not adjusted. We also made the accounting policy election to account for forfeitures as they occur.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, 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 an additional six ASUs, including ASU 2016-20 in December 2016, amending the guidance and the effective dates of amendments, and the SEC has rescinded certain related SEC guidance; the most recent of which was issued in May 2016. The pronouncements are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We have not yet completed our final review of the impact of this guidance, although we currently do not anticipate a material impact on our revenue recognition practices. We continue to review our existing contracts with our customers, any variable consideration, potential disclosures, and our method of adoption to complete our evaluation of the impact on our consolidated financial statements. In addition, we continue to monitor additional changes, modifications, clarifications or interpretations being undertaken by the FASB, which may impact our current conclusions.

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes the existing lease guidance and requires all leases with a term greater than 12 months to be recognized on the balance sheet as assets and obligations. This Update is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; early application is permitted. This standard mandates a modified retrospective transition method. We have not yet determined the impact from adoption of this new accounting pronouncement on our financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The Update provides amendments that clarify guidance or correct references in the Accounting Standards Codification that addresses current diversity in practice and could potentially result in changes in current practice because of either misapplication or misunderstanding of current guidance. Early adoption is permitted for the amendments that require transition guidance. We are currently evaluating the effect that the transition guidance will have on our financial statements and related disclosures.

In December 2016, the FASB issued ASU 2016-19, Technical Corrections and Improvements. Most of the amendments are effective upon issuance. Six amendments clarify guidance or correct references in the Accounting Standards Codification that could potentially result in changes in current practice because of either misapplication or misunderstanding of current guidance. The transition guidance effective dates for these six amendments varies depending upon the amendment, relevant Subtopic and applicability to other ASUs. Early adoption is permitted for the amendments that require transition guidance. We are currently evaluating the effect that the transition guidance will have on our financial statements and related disclosures.

NOTE C—CAPITAL STRUCTURE AND ACCUMULATED COMPREHENSIVE INCOME

Common Stock

Our Amended and Restated Certificate of Incorporation, authorizes up to 500,000,000 shares of common stock, par value of $0.01. Subject to the rights of holders of any series of preferred stock, all of the voting power of the stockholders of Holdings shall be vested in the holders of the common stock.

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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. There were 81,028,898 shares of common stock issued and outstanding at December 31, 2016. As of December 31, 2015, there were 53,390,136 shares issued and outstanding.
In 2016, our Board of Directors declared quarterly cash dividends as follows:

Dividends per Common Share	Declaration Date	Record Date	Payable Date
$0.0625	February 22, 2016	March 15, 2016	April 5, 2016
$0.0625	May 5, 2016	June 15, 2016	July 6, 2016
$0.0625	July 21, 2016	September 15, 2016	October 4, 2016
$0.0625	November 3, 2016	December 15, 2016	January 5, 2017

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

Preferred Stock

Our Amended and Restated Certificate of Incorporation authorizes our Board of Directors to issue up to 10,000,000 shares, in the aggregate, of preferred stock, par value of $0.01 in one or more series and to fix the preferences, powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including the dividend rate, conversion rights, voting rights, redemption rights and liquidation preference and to fix the number of shares to be included in any such series without any further vote or action by our stockholders.
There are no shares of preferred stock issued or outstanding at December 31, 2016 and 2015. 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 on the open market or in privately negotiated transactions. As of December 31, 2016, we are authorized to repurchase up to $50 million of our common stock through December 11, 2017. 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. Under our share repurchase program, as of December 31, 2016, we have repurchased 706,093 shares of our common stock at an average price of $23.83 and are authorized to repurchase up to an additional $33.2 million of our common stock.

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Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of fair value adjustments associated with cash flow hedges, short-term investments and accumulated adjustments for net experience losses and prior service cost related to employee benefit plans. The following table presents the changes in accumulated other comprehensive income by component (in thousands) during the year ended December 31, 2016:

	For the Year Ended December 31, 2016			
	Unrealized gain (loss) on cash flow hedges	Unrealized gain (loss) on short-term investments	Pension and other post-retirement benefits liability	Total
Beginning Balance	$(81)	$ 6	$ (16,096)	$(16,171)
Other comprehensive income before reclassifications	(32)	(6)	(760)	(798)
Amounts reclassed from accumulated other comprehensive income	81	—	1,012	1,093
Ending Balance	$(32)	$ —	$ (15,844)	$(15,876)

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

NOTE D—BUSINESS COMBINATIONS

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 preliminary consideration paid to the stockholders of NBI at the closing of the NBI Acquisition consisted of $107.2 million of cash (net of $9.0 million cash acquired) and 2,630,513 shares of common stock. The calculation of the preliminary 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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The following table sets forth the preliminary allocation of the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed (in thousands):

Allocation of Purchase price:	
Accounts receivable	$2,680
Inventories	3,494
Other current assets	428
Income tax deposits	6,657
Property, plant and mine development	210,913
Identifiable intangible assets	1,600
Goodwill	86,228
Total assets acquired	312,000
Accounts payable, accrued expenses and other current liabilities	1,938
Deferred revenue	500
Notes payable	24,361
Capital lease liabilities	3,331
Asset retirement obligations	710
Deferred tax liabilities	67,435
Total liabilities assumed	98,275
Net assets acquired	$213,725

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

	Approximate Fair Value	Estimated Useful Life
	(in thousands)	(in years)
Customer relationships	$ 1,600	15

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

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 Midland/Odessa, Texas; Morgantown, West Virginia; western North Dakota; northeast of Denver, Colorado;

Oklahoma City, OK; and Cambridge, Ohio, where its major customers are located.

The preliminary consideration paid includes $69.5 million of cash (net of $1.3 million cash acquired) and 4,195,180 shares of our common stock. The calculation of preliminary purchase price (in thousands, except shares) is as follows:

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

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 Condensed Consolidated Statements of Stockholders' Equity for the year ended December 31, 2016.

Both acquisitions were accounted for using the acquisition method of accounting. The purchase price and purchase price allocations for both Sandbox and NBI acquisitions are preliminary and subject to customary post-closing adjustments and

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changes in the fair value of assets and liabilities. The above estimated fair values of assets acquired and liabilities assumed 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 in the tables above. We expect to complete the purchase price allocations as soon as practicable, but no later than one year from the acquisition dates.

Combined 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, 2016 and 2015, accounts receivable (in thousands) consisted of the following:

	At December 31,	
	2016	2015
Trade receivables	$93,982	$64,821
Less: Allowance for doubtful accounts	(7,042)	(7,686)
Net trade receivables	86,940	57,135
Other receivables	2,066	1,571
Total accounts receivable	$89,006	$58,706

Changes in our allowance for doubtful accounts (in thousands) during the years ended December 31, 2016 and 2015 are as follows:

	Allowance for Doubtful Accounts	
	2016	2015
Balance at January 1,	$7,686	$10,429
Bad debt provision	(1,232)	(290)
Write-offs and recoveries	588	(2,453)

Balance at December 31,	$7,042	$7,686

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NOTE F—INVENTORIES

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

	At December 31,	
	2016	2015
Supplies	$18,824	$18,029
Raw materials and work in process	25,161	18,113
Finished goods	34,724	28,862
Total inventories	$78,709	$65,004

NOTE G—PROPERTY, PLANT AND MINE DEVELOPMENT

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

	At December 31,	
	2016	2015
Mining property and mine development	$414,434	$222,439
Asset retirement cost	8,062	9,889
Land	35,052	30,322
Land improvements	42,738	37,791
Buildings	52,178	51,280
Machinery and equipment	450,881	360,817
Furniture and fixtures	2,566	1,917
Construction-in-progress	43,790	56,130
	1,049,701	770,585
Accumulated depletion, depreciation and amortization	(266,388)	(209,389)
Total property, plant and mine development, net	$783,313	$561,196

At December 31, 2016, the aggregate cost of the machinery and equipment acquired under capital lease was $4.7 million, reduced by accumulated depreciation of $0.3 million. At December 31, 2015, we held no assets under a capital lease obligation.

During 2015, we wrote off $1.1 million of equipment due to discontinuation of certain industrial and specialty products. This amount is included in the depreciation, depletion and amortization expense on our Income Statements.

The amount of interest costs capitalized in property, plant and equipment was $0.2 million, $0.5 million and $1.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE H—ACCRUED LIABILITIES

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

	At December 31,	
	2016	2015
Accrued salaries and wages	$3,794	$1,309
Accrued vacation liability	2,471	2,593
Current portion of liability for pension and post-retirement benefits	1,553	1,505
Accrued healthcare liability	1,307	1,830
Accrued property taxes and sales taxes	1,815	1,940
Other accrued liabilities	2,094	2,531
Total accrued liabilities	$13,034	$11,708

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

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NOTE I—DEBT AND CAPITAL LEASES

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

	December 31, 2016	December 31, 2015
Senior secured credit facility:		
Revolver expiring July 23, 2018 (5.25% at December 31, 2016 and 5% at December 31, 2015)	$—	$—
Term loan facility—final maturity July 23, 2020 (4% - 4.5% at December 31, 2016 and December 31, 2015)	494,175	499,275
Less: Unamortized original issue discount	(1,318)	(1,696)
Less: Unamortized debt issuance cost	(4,482)	(5,874)
Note payable secured by royalty interest (includes $3,053 unamortized fair value premium)	23,076	—
Customer note payable	1,787	—
Total debt	513,238	491,705
Less: current portion	(4,821)	(3,330)
Total long-term portion of debt	$508,417	$488,375

Revolving Line-of-Credit

We have a $50 million the Revolver, with zero drawn and $4.0 million allocated for letters of credit as of December 31, 2016, leaving $46.0 million available under the Revolver.

Debt Maturities

At December 31, 2016, contractual maturities of senior secured credit facility (in thousands) are as follows:

2017	$5,100
2018	5,100
2019	5,100
2020	478,875
	$494,175

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 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 existing revolving line-of-credit was terminated. 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, 2016 and December 31, 2015, we are in compliance with all covenants in accordance with our senior secured credit facility.

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Note Payable Secured by Royalty Interest

In conjunction with the NBI Acquisition, 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:

2017	$1,750
2018	1,750
2019	1,750
2020	1,750
2021	1,750

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, 2016, the note payable has a balance of $23.1 million. The $0.6 million increase in this note payable amount is due to payment-in-kind interest.

Customer Note Payable

In connection with the NBI Acquisition, we assumed a customer note payable that was entered into by NBI. NBI entered into an amendment to a supply agreement 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 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 note payable at $1.9 million on the acquisition date.

Capital Leases

We enter into financing arrangements from time to time to purchase machinery and equipment utilized in operations. At December 31, 2016, scheduled future minimum lease payments under capital lease obligations (in thousands) are as follows:

2017	$	2,315	
2018	722		
Total minimum lease payments	3,037		
Less: amount representing interest	(83		)
Present value of minimum lease payments	2,954		
Less: current portion of capital lease obligations	(2,237		)
Non-current portion of capital lease obligations	$	717	

NOTE J—DEFERRED REVENUE

On July 3, 2014, we received an advance of $100.0 million from a customer under a supply agreement which gives the customer the right to purchase certain products for a fixed price at certain volumes. The customer has an unsecured promissory note related to this deposit, which has been recorded as deferred revenue in the Balance Sheets. The unused portion of the deposit has a stated interest rate of 4.9% compounded quarterly. The deposit obligation and related interest are reduced as shipments occur with a portion of the sales price being received in cash and a smaller non-cash portion reducing first any accrued interest and then, to the extent available, any outstanding deposit. We can, through December 31, 2019, repay the unused deposit obligation at any time without penalty.

NOTE K—FAIR VALUE ACCOUNTING

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

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

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

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

Cash Equivalents

Due to the short-term maturity, we believe our cash equivalent instruments at December 31, 2016 and 2015 approximate their reported carrying values.

Short-Term Investments

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

Long-Term Debt, Including Current Maturities

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

Derivative Instruments

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

Although we have determined that the majority of the inputs used to value our derivatives fall 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, 2016, we have assessed that the impact of the credit valuation adjustments on the overall valuation of our derivative positions is not significant. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

In accordance with the fair value hierarchy, the following table presents the fair value as of December 31, 2016 and 2015, respectively, of those assets (in thousands) that we measure at fair value on a recurring basis:

	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Short-term investments	$—	$ —	$ —	$1	$21,848	$21,849
Interest rate derivatives	—	72	72	—	—	—
Net asset	$—	$ 72	$ 72	$1	$21,848	$21,849

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Explanation of Responses:

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NOTE L—SHORT-TERM INVESTMENTS

At December 31, 2015, we segregated funds into designated accounts with investment brokers who managed our short-term investment portfolio. Those funds were held on an available-for-sale basis and are therefore reported at fair value on the balance sheet. In 2016, we liquidated our short-term investments and have no short-term investments as of December 31, 2016. The following table summarizes our available-for-sale short-term investments (in thousands) as of December 31, 2015:

	Aggregate Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Money market mutual funds	$ 1	$ —	$ —	$ 1
Fixed income securities:				
Certificates of deposit	10,535	—	(3)	10,532
Commercial paper	5,689	19	—	5,708
Corporate notes and bonds	2,006	—	—	2,006
Government agencies	3,598	4	—	3,602
U.S. Treasuries	—	—	—	—
Variable rate demand obligations	—	—	—	—
Total available-for-sale investments	$ 21,829	$ 23	$ (3)	$ 21,849

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 K - Fair Value Accounting for additional disclosures regarding the estimated fair values of our derivative instruments at December 31, 2016, and 2015.

	December 31, 2016				December 31, 2015			
	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	$ 72	$ 72	2016	$ 252 million	$ —	$ —

[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 year ended December 31, 2016 and 2015, 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, 2016, 2015 and 2014.

	2016	2015	2014
Deferred losses from derivatives in OCI, beginning of period	$ (81)	$ (134)	$ (79)
Loss recognized in OCI from derivative instruments	(32)	—	(65)
Loss reclassified from Accumulated OCI	81	53	10

Deferred losses from derivatives in OCI, end of period	$(32)	$(81)	$(134)

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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, 2016, we have 4,437,767 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 grants during the year ended December 31, 2016:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted Average Remaining Contractual Term in Years
Outstanding at December 31, 2015	1,307,067	24.61		
Granted	—	—		
Exercised	(326,884)	14.76		
Forfeited	(27,490)	24.81		
Outstanding at December 31, 2016	952,693	27.99	$ 27,332	7.00 years
Exercisable at December 31, 2016	597,799	23.71	$ 19,712	6.33 years

The total intrinsic value of stock options exercised was $7.6 million, $0.4 million, and $10.9 million for the years ended December 31, 2016, 2015 and 2014 respectively. Cash received from options exercised in 2016 was $4.8 million. The actual tax benefit realized for the tax deductions from option exercises totaled $2.9 million, $0.0 million, and $4.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.
We recognized $3.0 million, $3.4 million, and $1.9 million of equity-based compensation expense related to these options during the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, there was $3.7 million of total unrecognized compensation expense related to these options, which is expected to be recognized over a weighted-average period of approximately 1.5 years.
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, 2016:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2015	398,987	$ 26.65
Granted	364,710	22.97
Vested	(180,419)	26.28
Forfeited	(25,562)	27.26
Unvested, December 31, 2016	557,716	$ 24.33

We recognized $5.7 million, $3.9 million, and $2.2 million of equity-based compensation expense related to these restricted stock awards during the years ended December 31, 2016, 2015 and 2014 respectively. As of December 31, 2016, there was $9.5 million of total unrecognized compensation expense related to these restricted stock awards, which is expected to be recognized over a period of 1.8 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, 2016:

	Number of Shares	Grant Date Weighted Average Fair Value
Unvested, December 31, 2015	277,066	$ 29.05
Granted	850,143	39.36
Vested	—	—
Forfeited	(163,596)	33.30
Unvested, December 31, 2016	963,613	$ 32.63

We recognized $3.3 million, ($3.4 million), and $3.4 million of compensation expense related to these performance share unit awards during the years ended December 31, 2016, 2015 and 2014 respectively. As of December 31, 2016, there was $17.6 million of estimated total unrecognized compensation expense related to these performance share unit awards, which is expected to be recognized over a period of 1.7 years.

NOTE O—COMMITMENTS AND CONTINGENCIES

Future Minimum Annual Commitments at December 31, 2016

Amounts in thousands Year ending December 31,	Operating Lease Minimum Rental Payments	Minimum Purchase Commitments
2017	$ 55,525	$ 20,739
2018	63,221	19,332
2019	56,171	17,590
2020	48,774	9,175
2021	42,824	3,450
Thereafter	114,905	12,800
Total future lease and purchase commitments	$ 381,420	$ 83,086

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, 2016, 2015 and 2014 totaled approximately $54.1 million, $48.2 million and $33.3 million, respectively.

Minimum Purchase Commitments

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

Other Commitments and Contingencies

Our operating subsidiary, U.S. Silica, has been named as a defendant in various product liability claims alleging silica exposure causing silicosis. U.S. Silica was named as a defendant in two claims filed during the year ended December 31, 2016, no claims filed in 2015 and one claim filed in 2014. As of December 31, 2016, there were 74 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

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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 both December 31, 2016 and 2015, other non-current assets included $0.3 million for insurance for third-party products liability claims. As of December 31, 2016 and 2015, other long-term obligations included $1.3 million and $1.5 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.

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 maintain a Voluntary Employees' Beneficiary Association trust that will be used to partially fund health care benefits for future retirees. Benefits are funded to the extent contributions are tax deductible, which under current legislation is limited. In general, retiree health benefits are paid as covered expenses are incurred.

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Net pension benefit cost (in thousands) consisted of the following for the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
Service cost—benefits earned during the period	$1,078	$1,295	$1,080
Interest cost	4,067	4,813	4,811
Expected return on plan assets	(5,495)	(5,498)	(5,146)
Net amortization and deferral	1,592	2,665	1,037
Net pension benefit costs	$1,242	$3,275	$1,782

Net post-retirement cost (in thousands) consisted of the following for the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
Service cost—benefits earned during the period	$132	$176	$151
Interest cost	876	1,074	1,030
Expected return on plan assets	(1)	(1)	(4)
Net amortization and deferral	—	281	—
Special termination benefit	21	48	—
Net post-retirement costs	$1,028	$1,578	$1,177

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, 2016 and 2015 are as follows:

	Pension Benefits		Post-retirement Benefits	
	2016	2015	2016	2015
Benefit obligation at January 1,	$115,420	$122,336	$25,091	$28,289
Service cost	1,078	1,295	132	176
Interest cost	4,067	4,813	876	1,074
Actuarial (gain) loss	1,640	(7,492)	(802)	(3,631)
Benefits paid	(6,517)	(6,106)	(1,332)	(1,288)
Amendments	457	574	—	—
Special termination benefits	—	—	21	48
Other	—	—	407	423
Benefit obligation at December 31,	$116,145	$115,420	$24,393	$25,091
Fair value of plan assets at January 1,	$84,716	$90,897	$17	$19
Actual return on plan assets	5,651	(2,100)	(3)	(2)
Employer contributions	—	2,025	925	864
Benefits paid	(6,517)	(6,106)	(1,332)	(1,288)
Other	—	—	407	424
Fair value of plan assets at December 31,	$83,850	$84,716	$14	$17
Plan assets less than benefit obligations at December 31 recognized as liability for pension and other post-retirement benefits	$(32,295)	$(30,704)	$(24,379)	$(25,074)

The accumulated benefit obligation for the defined benefit pension plans, which excludes the assumption of future salary increases, totaled $116.0 million and $115.3 million at December 31, 2016 and 2015, respectively.
The amendments in 2015 and 2014 reflect plan changes including increases in the benefit multiplier for certain participants and allowing eligible salaried and non-union hourly participants to have the option to receive a lump sum form of payment under certain conditions and specific benefit increases at several plant facilities, respectively.

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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 $0.0 million at December 31, 2016 and $1.6 million, $1.6 million and $0.0 million at December 31, 2015. Future estimated annual benefit payments (in thousands) for pension and post-retirement benefit obligations at December 31, 2016 are as follows:

	Benefits		
		Post-retirement	
	Pension	Before Medicare Subsidy	After Medicare Subsidy
2017	$6,824	$1,570	$ 1,429
2018	7,050	1,544	1,402
2019	7,201	1,521	1,379
2020	7,343	1,598	1,452
2021	7,419	1,676	1,528
2022-2026	38,158	8,627	7,839

Our best estimate of expected contributions to the pension and post-retirement medical benefit plans for the 2017 fiscal year are $2.1 million and $1.4 million, respectively.

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost (in thousands) during the year ended December 31, 2016 are as follows:

	Benefits		
	Pension	Post-retirement	Total
Net actuarial loss	$1,372	$ —	$1,372
Prior service cost	411	—	411
	$1,783	$ —	$1,783

The total amounts in accumulated other comprehensive income related to net actuarial loss, net of tax, for both plans was $13.8 million and $14.1 million as of December 31, 2016 and 2015, respectively. The total amounts in accumulated other comprehensive income related to prior service cost, net of tax, for both plans, was $1.8 million as of December 31, 2016 and 2015.

The following weighted-average assumptions were used to determine our obligations under the plans:

	Pension Benefits		Post-retirement Benefits	
	2016	2015	2016	2015
Discount rate	4.2 %	4.5 %	4.2 %	4.5 %
Long-term rate of compensation increase	3.5 %	3.5 %	N/A	N/A
Long-term rate of return on plan assets	7.0 %	7.0 %	7.0 %	7.0 %
Health care cost trend rate:				
Pre-65 initial rate/ultimate rate	N/A	N/A	7.3%/5.0%	7.8%/5.0%
Pre-65 ultimate year	N/A	N/A	—	—
Post-65 initial rate/ultimate rate	N/A	N/A	8.5%/5.0%	9.0%/5.0%
Post-65 ultimate year	N/A	N/A	2024/2025	2024/2025

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

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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	
	2016	2015
Healthy lives	RP-2014 mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2016	RP-2014 mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2015
Disabled lives	RP-2014 disabled retiree mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2016	RP-2014 disabled retiree mortality table, adjusted back to 2006 base rates, with generational mortality improvements using Scale MP-2015

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	$ 144	$ (120)
Effect on post-retirement benefit obligation	2,827	(2,406)

The major investment categories and their relative percentage of the fair value of total plan assets as invested at December 31, 2016, and 2015 are as follows:

	Pension Benefits		Post-retirement Benefits	
	2016	2015	2016	2015
Equity securities	59.4 %	58.1 %	64.0 %	52.5 %
Debt securities	38.3 %	40.0 %	39.1 %	35.3 %
Cash	2.3 %	1.9 %	(3.1)%	12.2 %

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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

The fair values of the pension plan assets (in thousands) at December 31, 2015, by asset category, are as follows:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$—	$1,635	$ —	$1,635
Mutual funds:				
Diversified emerging markets	6,890	—	—	6,890
Foreign large blend	13,111	—	—	13,111
Large-cap blend	16,855	—	—	16,855
Mid-cap blend	7,769	—	—	7,769
Real estate	4,369	—	—	4,369
Fixed income securities:				
Corporate notes and bonds	22,559	—	—	22,559
Government agencies	607	—	—	607
U.S. Treasuries	5,384	—	—	5,384
Mortgage-backed securities	—	3,111	—	3,111
Asset-backed securities	—	2,375	—	2,375
Insurance policies	—	—	51	51
Net asset	$77,544	$7,121	$ 51	$84,716

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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U.S. SILICA HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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
		2016	2015		2016	2015	2014		
LIUNA	52-6074345/001	Red	Red	Yes	$167	$182	$149	Yes	5/31/2017
IUOE	36-6052390/001	Green	Green	No	28	29	28	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, 2016. 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 $2.4 million, $2.8 million and $2.1 million for the years ended December 31, 2016, 2015 and 2014, 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.

The expense or benefit for income taxes (in thousands) consisted of the following for the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
Current:			
Federal	$60	$(170)	$(34,790)
State	(274)	1,448	(4,835)
	$(214)	$1,278	$(39,625)
Deferred:			
Federal	32,944	7,439	(308)
State	3,959	3,034	2,750
	$36,903	$10,473	$2,442
Income tax benefit (expense)	$36,689	$11,751	$(37,183)

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.

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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, 2016 and 2015 consisted of the following:

	At December 31,	
	2016	2015
Gross deferred tax assets:		
Net operating loss carry forward and state tax credits	$65,022	$39,280
Pension and post-retirement benefit costs	22,920	22,577
Alternative minimum tax credit carry forward	19,431	19,049
Property, plant and equipment	6,112	6,657
Accrued expenses	6,752	3,765
Inventories	4,362	6,425
Third-party products liability	511	568
Stock-based compensation expense	5,576	3,365
Note payable	4,009	—
Other	5,458	5,373
Total deferred tax assets	$140,153	$107,059
Gross deferred tax liabilities:		
Land and mineral property basis difference	$(126,315)	$(63,488)
Fixed assets and depreciation	(61,531)	(54,913)
Intangibles	(2,260)	(8,049)
Other	(122)	(122)
Total deferred tax liabilities	$(190,228)	$(126,572)
Net deferred tax liabilities	$(50,075)	$(19,513)

We have federal net operating loss carry forwards of approximately $170.4 million at December 31, 2016. The losses will expire in years 2027 through 2036. Approximately $69.0 million of the losses are subject to an annual limitation under Internal Revenue Code Section 382, but are expected to be fully realized.

At December 31, 2016 and 2015, we have an alternative minimum tax credit carry forward of approximately $19.4 million and $19.0 million, respectively. The credit carry forward may be carried forward indefinitely to offset any excess of regular tax liability over alternative minimum tax liability subject to certain limitations.

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, 2016 or December 31, 2015 and do not expect this to change significantly within the next twelve months. Tax returns filed with the IRS for the years 2013 through 2015 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, 2016, 2015 and 2014 due to the following:

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U.S. SILICA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Years Ended December 31,		
	2016	2015	2014
Income tax benefit (expense) computed at U.S. federal statutory rate	$27,211	$(41)	$(55,553)
Decrease (increase) resulting from:			
Statutory depletion	4,734	8,918	15,548
Prior year tax return reconciliation	435	393	1,018
State income taxes, net of federal benefit	2,369	1,370	(3,416)
Domestic production deduction	—	—	3,911
Equity compensation	2,003	—	—
Other, net	(63)	1,111	1,309
Income tax benefit (expense)	$36,689	$11,751	$(37,183)

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 Travelers Casualty and Surety Company of America ("Travelers") against any loss Travelers may incur in the event that holders of surety bonds, issued on behalf of us by Travelers, execute the bonds. As of December 31, 2016, Travelers had $10.5 million in bonds outstanding for us. The majority of these bonds ($10.1 million) relate to reclamation requirements issued by various governmental authorities. Reclamation bonds remain outstanding until the mining area is reclaimed and the authority issues a formal release. The remaining bonds relate to such indefinite purposes as licenses, permits, and tax collection.

NOTE S—SEGMENT REPORTING

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

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

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

The Industrial & Specialty Products segment consists of over 215 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.

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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, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
Sales:			
Oil & Gas Proppants	$362,550	$430,435	$662,770
Industrial & Specialty Products	197,075	212,554	213,971
Total sales	$559,625	$642,989	$876,741
Segment contribution margin:			
Oil & Gas Proppants	$11,445	$88,928	$256,137
Industrial & Specialty Products	78,988	70,137	61,102
Total segment contribution margin	$90,433	$159,065	$317,239
Operating activities excluded from segment cost of goods sold	(8,103)	(11,142)	(7,082)
Selling, general and administrative	(67,727)	(62,777)	(88,971)
Depreciation, depletion and amortization	(68,134)	(58,474)	(45,019)
Interest expense	(27,972)	(27,283)	(18,202)
Other income, net, including interest income	3,758	728	758
Income tax benefit (expense)	$36,689	11,751	(37,183)
Net income (loss)	$(41,056)	$11,868	$121,540

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 $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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE T—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, 2016 and 2015. 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.

2016:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Unaudited)			
Sales	$122,510	$116,994	$137,748	$182,373
Cost of goods sold (excluding depreciation, depletion and amortization)	106,751	102,707	119,426	148,411
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
	$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
	$(4,853)	$(6,039)	$(6,191)	$(7,131)
Loss before income taxes	(19,153)	(21,546)	(23,516)	(13,530)
Income tax benefit	8,150	9,774	12,177	6,588
Net 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 outstanding, basic	54,470	63,417	66,676	75,539
Weighted average shares outstanding, diluted	54,470	63,417	66,676	75,539
Dividends declared per share	$0.06	$0.06	$0.06	$0.06

2015:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Unaudited)			
Sales	$203,958	$147,511	$155,408	$136,112
Cost of goods sold (excluding depreciation, depletion and amortization)	138,653	117,200	122,599	116,614
Operating expenses				
Selling, general and administrative	26,961	6,575	13,559	15,682
Depreciation, depletion and amortization	13,243	13,695	15,158	16,378
	$40,204	$20,270	$28,717	$32,060
Operating income (loss)	25,101	10,041	4,092	(12,562)
Other income (expense)				
Interest expense	(6,836)	(6,928)	(6,684)	(6,835)
Other income (loss), net, including interest income	11	498	309	(90)

	$(6,825)	$(6,430)	$(6,375)	$(6,925)
Income before income taxes	18,276	3,611	(2,283)	(19,487)
Income tax benefit (expense)	(3,453)	6,342	4,695	4,167
Net income (loss)	$14,823	$9,953	$2,412	$(15,320)
Earnings (loss) per share, basic	$0.28	$0.19	$0.05	$(0.29)
Earnings (loss) per share, diluted	$0.28	$0.18	$0.04	$(0.29)
Weighted average shares outstanding, basic	53,416	53,303	53,321	53,323
Weighted average shares outstanding, diluted	53,869	53,857	53,742	53,323
Dividends declared per share	$0.13	$0.13	$0.13	$0.06

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U.S. SILICA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE U—PARENT COMPANY FINANCIALS

U.S. SILICA HOLDINGS, INC.
(PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS

	December 31,	
	2016	2015
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$534,378	$58,579
Short-term investments	—	21,849
Total current assets	534,378	80,428
Investment in subsidiaries	854,860	417,462
Total assets	$1,389,238	$497,890
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued expenses and other current liabilities	$461	$107
Dividends payable	5,222	3,453
Due to affiliates	110,265	110,159
Total current liabilities	115,948	113,719
Deferred income taxes, net	—	4
Total liabilities	115,948	113,723
Stockholders' Equity:		
Preferred stock	—	—
Common stock	811	539
Additional paid-in capital	1,129,051	194,670
Retained earnings	163,173	220,974
Treasury stock, at cost	(3,869)	(15,845)
Accumulated other comprehensive loss	(15,876)	(16,171)
Total stockholders' equity	1,273,290	384,167
Total liabilities and stockholders' equity	$1,389,238	$497,890

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Explanation of Responses:

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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,		
	2016	2015	2014
	(in thousands, except per share amounts)		
Revenue	$ —	$ —	$ —
Cost of revenue	—	—	—
Operating expenses			
Selling, general and administrative	184	185	184
Other	10	19	—
	194	204	184
Operating loss	(194)	(204)	(184)
Other income (expense)			
Interest income	1,046	262	278
Early extinguishment of debt	—	—	—
Other income, net, including interest income	—	1	—
	1,046	263	278
Income before income taxes and equity in net earnings of subsidiaries	852	59	94
Income tax benefit (expense)	(344)	(24)	(38)
Income before equity in net earnings of subsidiaries	508	35	56
Equity in earnings of subsidiaries, net of tax	(41,564)	11,833	121,484
Net income (loss)	(41,056)	11,868	121,540
Other comprehensive income (loss), net of deferred income taxes:			
Unrealized gain (loss) on investments (net of tax of ($4), $29, and ($8) for 2016, 2015, and 2014, respectively)	(6)	47	(14)
Unrealized loss on derivatives, (net of tax of $29, $34 and ($32) for 2016, 2015 and 2014, respectively)	49	53	(55)
Pension and post-retirement liability (net of tax of $152, $2,469, and ($9,678) for 2016, 2015 and 2014, respectively)	252	3,547	(15,732)
Other comprehensive income (loss), net of deferred income taxes	295	3,647	(15,801)
Comprehensive income (loss) attributable to U.S. Silica Holdings, Inc.	$ (40,761)	$ 15,515	$ 105,739

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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, 2014	$ 534	$—	$ 174,799	$ 137,978	$ (4,017)	$ 309,294
Net income	—	—	—	121,540	—	121,540
Unrealized loss on derivatives	—	—	—	—	(55)	(55)
Unrealized loss on short-term investments	—	—	—	—	(14)	(14)
Pension and post-retirement liability	—	—	—	—	(15,732)	(15,732)
Cash dividend declared ($0.500 per share)	—	—	—	(26,967)	—	(26,967)
Common stock-based compensation plans activity:						
Equity-based compensation	—	—	7,487	—	—	7,487
Excess tax benefit from equity compensation	—	—	3,813	—	—	3,813
Proceeds from options exercised	4	572	4,987	—	—	5,563
Shares withheld for employee taxes related to vested restricted stock and stock units	1	(615)	—	—	—	(614)
Repurchase of common stock	—	(499)	—	—	—	(499)
Balance at December 31, 2014	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

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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,		
	2016	2015	2014
	(in thousands)		
Operating activities:			
Net income (loss)	$(41,056)	$11,868	$121,540
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Undistributed (Income) loss from equity method investment, net	41,564	(11,833)	(121,484)
Other	(30)	(195)	(213)
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts payable and accrued liabilities	353	29	36
Net cash provided by (used in) operating activities	831	(131)	(121)
Investing activities:			
Proceeds from sales and maturities of short-term investments	21,872	53,568	—
Investment in subsidiary	(188,177)	—	—
Net cash provided by (used in) investing activities	(166,305)	53,568	—
Financing activities:			
Dividends paid	(15,125)	(26,797)	(26,871)
Repurchase of common stock	—	(15,255)	(499)
Proceeds from options exercised	4,603	473	5,563
Tax payments related to shares withheld for vested restricted stock and stock units	(1,590)	(794)	(614)
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	106	223	211
Net cash provided by (used in) financing activities	641,273	(42,150)	(22,210)
Net increase in cash and cash equivalents	475,799	11,287	(22,331)
Cash and cash equivalents, beginning of period	58,579	47,292	69,623
Cash and cash equivalents, end of period	$534,378	$58,579	$47,292
Non-cash financing activities:			
Supplemental cash flow information:			
Cash paid (received) during the period for:			
Interest	$(1,046)	$(263)	$(278)
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 operating subsidiaries to pay dividends may be restricted due to the terms of the Company's senior credit facility, as discussed in Note I - Debt and Capital Leases to the audited consolidated financial statements.

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U.S. SILICA HOLDINGS, INC.
NOTES TO CONSOLIDATED 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 V—SUBSEQUENT EVENTS

On January 5, 2017, we paid a cash dividend of $0.0625 per share to common stockholders of record on December 15, 2016, as had been declared by our Board of Directors on November 7, 2016.

On February 16, 2017, 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, 2017, payable on April 5, 2017.

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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, 2016. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of December 31, 2016, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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

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 NBI and Sandbox from the evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016. Both entities were acquired in August 2016. This decision is based upon the significance of NBI and Sandbox and the timing of integration efforts underway to transition NBI's and Sandbox's processes, information technology systems and other components of internal control over financial reporting to our internal control structure. NBI's total assets represented 16% of the related consolidated total assets as of December 31, 2016. Sandbox's total assets and revenues represented 13% and 6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016. We have expanded our consolidation and disclosure controls and procedures to include NBI and Sandbox, 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, 2016.

Our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2016, 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, 2016 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.

We have audited the internal control over financial reporting of U.S. Silica Holdings, Inc. a Delaware corporation and subsidiaries (the “Company”) as of December 31, 2016, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 Management Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of Tyler Silica Company (“NBI”), wholly-owned subsidiary, whose financial statements reflect total assets constituting 16 percent and of Sandbox Enterprises, LLC (“Sandbox”), wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 13 and 6 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016. As indicated in Management’s Report, NBI and Sandbox were acquired during 2016. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of NBI and Sandbox.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, 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), the consolidated financial statements of the Company as of and for the year ended December 31, 2016, and our report dated February 23, 2017 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP
Baltimore, Maryland
February 23, 2017

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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 2017 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 2017 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 2017 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 2017 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 2017" in the 2017 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 23, 2017, are included as part of Item 8, "Financial Statements and Supplementary Data."

b) Financial Statement Schedules

Schedule I - Condensed Financial Information of Parent (U.S. Silica Holdings, Inc.) at December 31, 2016 and 2015 and for the years ended December 31 2016, 2015 and 2014 is included in Note U 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 23rd day of February, 2017.

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 23, 2017
/S/ DONALD A. MERRIL Donald A. Merril	Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2017
/S/ CHARLES SHAVER Charles Shaver	Chairman of the Board	February 23, 2017
/S/ PETER BERNARD Peter Bernard	Director	February 23, 2017
/S/ WILLIAM J. KACAL William J. Kacal	Director	February 23, 2017
/S/ J. MICHAEL STICE J. Michael Stice	Director	February 23, 2017

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EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1#	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
2.2#	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
3.1	Second Amended and Restated Certificate of Incorporation of U.S. Silica Holdings, Inc., effective January 31, 2012.	8-K	001-35416	3.1	February 6, 2012
3.2	Second Amended and Restated Bylaws of U.S. Silica Holdings, Inc., effective January 31, 2012.	8-K	001-35416	3.2	February 6, 2012
3.3	Certificate of Change of Registered Agent and/or Registered Office.	8-K	001-35416	3.1	May 11, 2015
4.1	Specimen Common Stock Certificate.	S-1/A	333-175636	4.1	December 7, 2011
4.2	Registration Rights Agreement, dated as of August 16, 2016, by and among U.S. Silica Holdings, Inc. and each person identified on the signature pages thereto.	S-3ASR	333-213870	4.1	September 29, 2016
4.3	Registration Rights Agreement, dated as of August 22, 2016, by and among U.S. Silica Holdings, Inc. and each person identified on the signature pages thereto.	S-3ASR	333-213870	4.2	September 29, 2016
10.1	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
10.2+	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
10.3+	Amended and Restated 2011 Incentive Compensation Plan.	8-K	001-35416	10.1	May 11, 2015
10.4+	Form of Incentive Stock Option Agreement.	S-1/A	333-175636	10.15	August 29, 2011
10.5+	Form of Restricted Stock Agreement.	S-1/A	333-175636	10.16	August 29, 2011
10.6+	Form of Nonqualified Stock Option Agreement.	S-1/A	333-175636	10.17	August 29, 2011
10.7+	Form of Stock Appreciation Rights Agreement.	S-1/A	333-175636	10.18	August 29, 2011

10.8+	Form of Restricted Stock Unit Agreement.	S-1/A	333-175636	10.19	August 29, 2011
10.9+	Form of Performance Share Unit Agreement.	10-K	001-35416	10.12	February 26, 2014
10.10	Form of Indemnification Agreement.	S-1/A	333-175636	10.20	December 29, 2011
10.11+	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
10.12+	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
10.13+	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
10.14+	Omnibus Amendment dated February 18, 2016 to Award Agreements.	8-K	001-35416	10.3	February 23, 2016

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10.15+	Amendment No. 1 dated July 25, 2014 to Restricted Stock Agreement dated November 6, 2012 with Bryan A. Shinn.	8-K	001-35416	10.10	July 30, 2014
10.16+	Omnibus Amendment dated July 25, 2014 to Award Agreements with Bryan A. Shinn.	8-K	001-35416	10.2	July 30, 2014
10.17+	Joinder Agreement to Second Amended and Restated Credit Agreement, dated as of December 5, 2014.	8-K	001-35416	10.1	December 11, 2014
10.18+	Form of Nonqualified Stock Option Agreement.	10-K	001-35416	10.2	February 25, 2015
10.19+	Change in Control Severance Plan of U.S. Silica Holdings, Inc.	8-K	001-35416	10.1	February 23, 2016
10.20+	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
10.21+	Form of Performance Share Unit Agreement (TSR metric).	10-K	001-35416	10.4	April 27, 2016
10.22*+	Omnibus Amendment dated November 3, 2016 to Award Agreements.				
10.23*+	Amendment No. 1 dated November 3, 2016 to Amended and Restated 2011 Incentive Compensation Plan				
21.1*	List of subsidiaries of U.S. Silica Holdings, Inc.				
23.1*	Consent of Independent Registered Public Accounting Firm.				
31.1*	Rule 13a-14(a)/15(d)-14(a) Certification by Bryan A. Shinn, Chief Executive Officer.				
31.2*	Rule 13a-14(a)/15(d)-14(a) Certification by Donald A. Merril, Chief Financial Officer.				
32.1*	Section 1350 Certification by Bryan A. Shinn, Chief Executive Officer.				
32.2*	Section 1350 Certification by Donald A. Merril, Chief Financial Officer.				
95.1*	Mine Safety Disclosure				
99.1*	Consent of PropTester, Inc.				
101*	101.INS XBRL Instance 101.SCH XBRL Taxonomy Extension Schema 101.CAL XBRL Taxonomy Extension Calculation 101.LAB XBRL Taxonomy Extension Labels 101.PRE XBRL Taxonomy Extension Presentation 101.DEF XBRL Taxonomy Extension Definition				

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.

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