USG CORP
Form DEF 14A
April 02, 2015

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

USG CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

USG Corporation
550 West Adams Street
Chicago, Illinois 60661

Founded in 1902

April 2, 2015

Dear Fellow Stockholder:

It is a pleasure to invite you to the 2015 USG Corporation annual meeting of stockholders. The meeting will be held at 9:00 a.m., Chicago time, on Wednesday, May 13, 2015 at our corporate headquarters located at 550 West Adams Street, Chicago, Illinois 60661-3676. The attached Notice of Annual Meeting of Stockholders and Proxy Statement discuss the items scheduled for a vote by stockholders at the meeting.

U.S. Securities and Exchange Commission rules allow companies to furnish proxy materials to their stockholders over the Internet. As a result, most of our stockholders will receive in the mail a notice regarding availability of the proxy materials for the annual meeting on the Internet instead of paper copies of those materials. The notice regarding availability of proxy materials contains instructions on how to access the proxy materials over the Internet. The notice also contains instructions on how stockholders can receive paper copies of the proxy materials, including a proxy or voting instruction form. This process should expedite stockholders' receipt of proxy materials, lower the cost of our annual meeting and help to conserve natural resources.

It is important that your shares be represented at the annual meeting, whether or not you plan to attend the meeting. Please vote your shares over the Internet or by telephone. If you received paper copies of the proxy materials by mail, you may also vote by mail by following the instructions on the proxy or voting instruction form you received. **Brokers may not vote your shares on the election of directors, the approval of the USG Corporation Management Incentive Plan, as amended and restated or the approval of the material terms for qualified performance-based awards under the USG Corporation Long-Term Incentive Plan, as amended and restated, in the absence of specific voting instructions from you.**

Please vote your shares as soon as possible. This is your annual meeting, and your participation is important.

Sincerely,

James S. Metcalf
Chairman of the Board, President
and Chief Executive Officer

USG CORPORATION

550 West Adams Street
Chicago, Illinois 60661-3676

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2015 USG Corporation annual meeting of stockholders will be held at our corporate headquarters located at 550 West Adams Street, Chicago, Illinois 60661-3676 on Wednesday, May 13, 2015 at 9:00 a.m., Chicago time, for the following purposes:

1. to elect three directors for a three-year term;

2. to approve the USG Corporation Management Incentive Plan, as amended and restated;

3. to approve the material terms for qualified performance-based awards under the USG Corporation Long-Term Incentive Plan, as amended and restated;

4. to ratify the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accountants for the fiscal year ending December 31, 2015; and

5. to transact any other business that may properly come before the meeting or any adjournment or postponement thereof.

Pursuant to our By-laws, any matter to be presented for consideration at the meeting must have satisfied the procedural and legal requirements referred to in the accompanying proxy statement.

Only stockholders of record at the close of business on March 16, 2015 will be entitled to vote at the annual meeting.

An admission ticket (or other proof of stock ownership) and a form of photo identification will be required for admission to the annual meeting. If your shares are registered in your name and you received your proxy materials by mail, please mark the space on your proxy form if you plan to attend the annual meeting. An admission ticket is attached to your proxy form. If your shares are registered in your name and you received or accessed your proxy materials electronically over the Internet, click the appropriate box on the electronic proxy form or follow the telephone instructions when prompted and an admission ticket will be held for you at the registration desk at the annual meeting. If you hold shares through a broker, bank or other nominee, you will be required to present a current statement from that institution reflecting your ownership of shares of our stock, the notice regarding the availability of proxy materials you received or the non-voting portion of the voting instruction form you received.

By order of the Board of Directors,

STANLEY L. FERGUSON
Executive Vice President, General Counsel and Secretary

April 2, 2015

YOUR VOTE IS IMPORTANT

Brokers may not vote your shares on the election of directors, the approval of the USG Corporation Management Incentive Plan, as amended and restated or the approval of the material terms for qualified performance-based awards under the USG Corporation Long-Term Incentive Plan, as amended and restated, in the absence of specific voting instructions from you. Please vote your shares promptly by using the Internet or the telephone. If you received a paper copy of a proxy or voting instruction form for the annual meeting by mail, you may submit that form by completing, signing, dating and returning it in the pre-addressed envelope provided.

USG Corporation
550 West Adams Street
Chicago, Illinois 60661-3676

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the Board of Directors for use at our annual meeting of stockholders to be held on Wednesday, May 13, 2015 in accordance with the accompanying notice. This proxy statement and the accompanying proxy were first made available to our stockholders on or about April 2, 2015.

General

Q:

What is a proxy statement?

A:

A proxy statement provides you with information related to the matters upon which you are asked to vote as a stockholder to assist you in voting your shares. We are required to make this proxy statement available to you under rules of the Securities and Exchange Commission in connection with our solicitation of your proxy.

Q:

Why did I receive a notice in the mail regarding the Internet availability of the proxy statement and related proxy materials instead of a paper copy of the proxy materials?

A.

U.S. Securities and Exchange Commission rules allow companies to furnish proxy materials to their stockholders over the Internet. As a result, most of our stockholders are receiving in the mail a notice regarding the availability of proxy materials on the Internet instead of paper copies of the notice of annual meeting and proxy statement, our 2014 annual report on Form 10-K and a letter from our Chairman, President and Chief Executive Officer. All stockholders receiving the notice will be able to access the notice of annual meeting, proxy statement, annual report and letter over the Internet and to request paper copies of those documents by mail. Instructions on how to access those documents over the Internet or to request paper copies of them may be found in the notice. In addition, the notice contains instructions on how you may request to receive proxy materials in printed form by mail or through e-mail access on an ongoing basis.

Q:

Why did I not receive a notice in the mail about the Internet availability of the proxy statement and related proxy materials?

A:

Stockholders who have previously requested to receive proxy materials in paper form or through e-mail access are being provided copies of the proxy materials in the format previously requested instead of receiving the notice regarding Internet availability of the proxy materials. In addition, stockholders who hold USG Corporation shares in their USG Corporation Investment Plan, or the Investment Plan, may receive materials by either e-mail or in paper.

Q:

How may I obtain a paper copy of the proxy statement and proxy materials?

A:

Stockholders receiving a notice regarding the Internet availability of the proxy materials will find instructions about how to obtain a paper copy of the proxy materials in the notice. Stockholders receiving e-mail notification of the availability of the proxy materials will find instructions about how to obtain a paper copy of the proxy materials in that e-mail. Stockholders who do not receive a notice or an e-mail will receive a paper copy of the proxy materials by mail.

Q: **Who is entitled to vote at the annual meeting?**

A: All record holders of our common stock at the close of business on our record date of March 16, 2015 are entitled to vote their shares at the annual meeting. On that date, there were 145,381,199 shares of our common stock issued and outstanding and entitled to vote. Each share is entitled to one vote on each matter presented at the annual meeting. The shares of common stock are our only securities entitled to vote at the annual meeting.

Q:

How do I vote?

A:

We have both "stockholders of record," or "registered stockholders," and "street name" stockholders. If your shares are registered in your name with Computershare Trust Company N.A., our transfer agent, you are a "stockholder of record" or "registered stockholder." You are a "stockholder of record," for example, if you hold a certificate for your shares. If your shares are held in the name of a broker, bank or other nominee, you are a "street name" holder.

Whether you hold shares directly as a stockholder of record or as a street name holder, you may direct how your shares are voted by proxy without attending the annual meeting. There are three ways to vote by proxy:

By Internet You can vote over the Internet at www.proxyvote.com by following the instructions on the notice regarding Internet availability of proxy materials or the proxy or voting instruction form you received;

By telephone You can vote by telephone by calling 1-800-690-6903 and following the instructions on the notice regarding Internet availability of proxy materials or the proxy or voting instruction form you received; or

By mail If you received your proxy materials by mail, you can vote by mail by signing, dating and mailing the enclosed proxy or voting instruction form.

If you are a "street name" holder and you wish to vote your shares in person at the annual meeting, you must obtain a proxy from your broker, bank or other nominee giving you the right to vote your shares at the meeting. If you own shares through the USG Corporation Investment Plan, or the Investment Plan, and you are also a stockholder of record, your proxy form will allow you to designate the manner in which you want both the shares registered in your name and the shares in the Investment Plan voted at the annual meeting. If you hold shares through the Investment Plan, but you do not own any shares of our common stock as a "stockholder of record," you will be able to designate the manner in which you want those shares voted at the annual meeting by voting over the Internet, by telephone or by signing, dating and returning the proxy voting form you receive from Broadridge Financial Solutions, Inc., or Broadridge.

Fidelity Management Trust Company, as trustee of the Investment Plan, or the Trustee, held 393,700 shares of our common stock on the record date. Only the Trustee, as of the record date, can vote the shares held by the Investment Plan. However, the Investment Plan provides that Investment Plan participants are entitled to instruct the Trustee how the shares allocated to their accounts under the Investment Plan are to be voted. The Investment Plan also provides that unallocated shares and shares for which no instructions are received by the Trustee will be voted by the Trustee in the same proportion as those shares for which instructions are received, unless otherwise required by law. Thus, Investment Plan participants will be exercising power and control as a named fiduciary of the Investment Plan not only over the shares allocated to their own accounts, but also over a portion of the undirected shares. By submitting voting instructions over the Internet, by telephone or by signing and returning the proxy voting form accompanying this proxy statement, an Investment Plan participant will be directing the Trustee to vote the shares allocated to his or her account under the Investment Plan, in person or by proxy, as instructed, at the annual meeting of stockholders. Investment Plan participants may revoke previously submitted voting instructions by phone, Internet or filing with Broadridge Financial Solutions, 51 Mercedes Way, Edgewood, New York 11717, the Investment Plan proxy tabulator, either a written notice of revocation or a properly completed and signed proxy form bearing a later date.

Unless you hold your shares through the company's Investment Plan, you may vote via the Internet or by phone until 11:59 p.m. Eastern Time, on May 12, 2015, or the company's agent must receive your paper proxy card on or before May 12, 2015. If you hold your shares through the company's Investment Plan, you may vote via the Internet or by phone until 11:59 p.m., Eastern Time, on May 10, 2015, or the company's agent must receive your paper proxy card on or before May 10, 2015.

Q:

What does it mean to vote by proxy?

A:

It means that you give someone else the right to vote your shares in accordance with your instructions. We are asking you to give your proxy to our Proxy Committee, comprised of our Chairman and our Corporate Secretary. In this way, you ensure that your vote will be counted even if you are unable to attend the annual meeting.

If you sign and submit your proxy or voting instruction form without giving specific instructions on how to vote your shares, in accordance with the recommendation of the Board of Directors, the Proxy Committee will vote your shares in the following manner:

For the election of the Board's nominees for director;

For the approval of the USG Corporation Management Incentive Plan, as amended and restated;

For the approval of the material terms for qualified performance-based awards under the USG Corporation Long-Term Incentive Plan, as amended and restated; and

For the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountants for 2015.

Q:

What happens if other matters are presented at the annual meeting?

A:

If other matters are properly presented at the annual meeting, the Proxy Committee will have discretion to vote your shares for you on those matters in accordance with its best judgment if you have granted a proxy. However, we have not received timely notice from any stockholder of any other matter to be presented at the annual meeting.

Q:

What are my choices when voting?

A:

You may cast your vote in favor of electing one or more of the nominees for director or to withhold authority to vote for one or more of the nominees. You may cast your vote for or against, or you may abstain from voting your shares on, each other proposal.

Q:

What if I submit a proxy and later change my mind?

A:

If you have given your proxy and wish to revoke it and change your vote, you may do so by (1) giving written notice to our Corporate Secretary, (2) voting in person at the annual meeting, (3) granting a subsequent proxy over the Internet or by telephone or (4) if you received your proxy materials by mail, submitting another signed proxy form with a date later than your previously delivered proxy.

Q:

What vote is required to approve each matter?

A:

Assuming a quorum is present at the annual meeting, each of the matters specified in the notice of the annual meeting requires the affirmative vote of a majority of the shares actually voted at the meeting in person or by proxy.

Q:

What constitutes a quorum?

A:

A quorum is present if a majority of the outstanding shares of our common stock is present or represented by proxy at the annual meeting. A quorum is required to conduct the annual meeting.

Q:

How are "broker non-votes" and abstentions treated?

A:

"Broker non-votes" occur when nominees, such as brokers and banks, holding shares on behalf of "street name" owners do not receive voting instructions from those owners regarding a matter and do not have discretionary authority to vote on the matter under the rules of the New York Stock Exchange, or the NYSE. Those rules allow nominees to vote in their discretion on "routine" matters, such as the ratification of the appointment of our independent registered public accountants, even if they do not receive voting instructions from the "street name holder." On non-routine matters, such as the election of directors, the approval of the USG Corporation Management Incentive Plan, as amended and restated and the approval of the material terms for qualified performance-based awards under the USG Corporation Long-Term Incentive Plan, as amended and restated, nominees cannot vote unless they receive instructions from the "street name" owner. The failure to receive such instructions as to a non-routine matter results in a broker non-vote. Broker non-votes are counted for purposes of determining whether a quorum is present at the annual meeting, but because they are not votes they will not affect the outcome of the vote on any matter presented at the annual meeting.

Abstentions are counted for purposes of determining whether a quorum is present, but they are not treated as votes cast. Accordingly, abstentions do not affect any of the matters specified in the notice of the annual meeting.

Q:

What if I receive more than one notice or e-mail regarding the Internet availability of the proxy materials or more than one paper copy of the proxy materials?

A:

Receiving more than one notice, e-mail or paper copy means your shares are registered in two or more accounts. To vote all of your shares by proxy, please complete, sign, date and return each proxy and voting instruction form that you receive, or vote the shares in each account to which those forms relate by Internet or telephone, and vote by Internet or telephone the shares in each account for which you receive a notice or e-mail regarding Internet availability of the proxy materials and do not request and receive a proxy or voting instruction form.

Q:

What is "Householding"?

A:

Unless you advised otherwise, if you hold your shares in street name and other residents at your mailing address share the same last name and also own shares of USG Corporation, or USG, common stock in an account at the same broker, bank or other nominee, your nominee delivered a single notice or set of proxy materials to your address. This method of delivery is known as householding. Householding reduces the number of mailings you receive, saves on printing and postage costs and helps the environment. Stockholders who participate in householding continue to receive separate voting instruction cards and control numbers for voting electronically.

A stockholder who wishes to receive a separate copy of the notice or proxy materials, now or in the future, should submit this request by writing Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York, 11717, or calling 1-800-542-1061. Beneficial owners sharing an address who are receiving multiple copies of the proxy materials and wish to receive a single copy of these materials in the future should contact their broker, bank or other nominee to make this request.

If you are a registered stockholder or hold shares in the Investment Plan, we sent you and each registered Investment Plan holder at your address separate notices or sets of proxy materials.

Q:

Who will count the vote?

A:

A representative or representatives of Broadridge will count the votes and serve as Inspector of Election. The Inspector of Election will be present at the annual meeting.

Q:

Who pays the cost of this solicitation?

A:

USG is paying the cost of this proxy solicitation. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses they incur in forwarding proxy material to "street name" holders.

Q:

What if I have a question regarding my shares or my mailing address?

A:

If you are a registered stockholder, please contact Computershare Trust Company N.A. directly at 211 Quality Circle, Suite 210, College Station, Texas 77845. If you are a "street name" holder, please contact your broker, bank or other nominee directly.

Important Notice Regarding the Availability of the Proxy Materials for the Stockholder Meeting to be held on May 13, 2015

This proxy statement and our 2014 annual report on Form 10-K are available to you on the Internet at www.proxyvote.com.

PRINCIPAL STOCKHOLDERS

The following table provides information regarding the beneficial ownership of our common stock by all persons known by us to be the beneficial owner of more than 5% of our common stock on the record date. This information is based upon statements on Schedule 13D or 13G or Form 3 or 4 filed by those persons with the Securities and Exchange Commission.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Berkshire Hathaway Inc.(a) 1440 Kiewit Plaza Omaha, Nebraska 68131	43,387,980	29.84%
C & G Verwaltungs GmbH(b) Am Bahnhof 7 97346 Iphofen Federal Republic of Germany	14,757,258	10.15%

(a) The number of shares shown as beneficially owned includes (a) 17,072,192 shares held by National Indemnity Company, a Nebraska insurance corporation ("NICO"), which is an indirect subsidiary of Berkshire Hathaway, Inc., a Delaware corporation ("Berkshire Hathaway"), (b) 14,035,088 shares (the "BH Nebraska Shares") held by Berkshire Hathaway Life Insurance Company of Nebraska, a Nebraska corporation ("BH Nebraska"), (c) 7,894,736 shares (the "BH Assurance Shares," and together with the BH Nebraska Shares, the "Nebraska/Assurance Shares") held by Berkshire Hathaway Assurance Corporation, a New York corporation ("BH Assurance"), and (d) 4,385,964 shares (the "General Re Life Shares") held by General Re Life Corporation, a Connecticut corporation ("General Re Life"). Mr. Buffett may be deemed to control Berkshire Hathaway, which controls BH Nebraska, BH Assurance and General Re Life. Thus, both Mr. Buffett and Berkshire Hathaway may be considered to have beneficial ownership of the Nebraska/Assurance Shares and the General Re Life Shares. NICO, a direct subsidiary of Berkshire Hathaway and the direct parent company of BH Nebraska and BH Assurance, also may be considered to have beneficial ownership of the Nebraska/Assurance Shares. General Reinsurance Corporation, a Delaware corporation ("General Reinsurance"), an indirect subsidiary of Berkshire Hathaway and the direct parent company of General Re Life, also may be considered to have beneficial ownership of the General Re Life Shares. General Re Corporation, a Delaware corporation ("General Re"), a direct subsidiary of Berkshire Hathaway and the direct parent company of General Reinsurance, also may be considered to have beneficial ownership of the General Re Life Shares. BH Nebraska has voting and investment power with respect to the BH Nebraska Shares. BH Assurance has voting and investment power with respect to the BH Assurance Shares. However, Mr. Buffett, Chairman of the Board of Directors of Berkshire Hathaway, who may be deemed to control BH Nebraska and BH Assurance, directs the investment of BH Nebraska and BH Assurance. Thus, Mr. Buffett, Berkshire Hathaway, and NICO share voting and investment power with respect to the Nebraska/Assurance Shares. General Re Life has voting and investment power with respect to General Re Life Shares. However, Mr. Buffett, Chairman of the Board of Directors of Berkshire Hathaway, who may be deemed to control General Re Life, directs the investment of General Re Life. Thus, Mr. Buffett, Berkshire Hathaway, General Reinsurance and General Re share voting and investment power with respect to the General Re Life Shares.

(b) C & G Verwaltungs GmbH, a limited liability company organized under the laws of the Federal Republic of Germany ("C&G"), is an indirect subsidiary of Gebr. Knauf Verwaltungsgesellschaft KG, a limited partnership organized under the laws of the Federal Republic of Germany ("Gebr. Knauf") controlled by members of the Knauf family. Hans Peter Ingenillem and Martin Stürmer are the general managers of C&G, and Mr. Ingenillem and Manfred Grundke are the general partners of Gebr. Knauf. C&G and Gebr. Knauf both report that they have sole voting and dispositive power with respect to all of the reported shares.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors currently consists of nine directors divided into three classes, with each class elected for a three-year term. Three nominees comprise the class of directors to be elected at the annual meeting. The other two classes will be elected in 2016 and 2017.

The three candidates nominated by the Board for election as directors at the annual meeting are identified below. If any of those nominees becomes unavailable prior to the annual meeting, the Board will reduce the size of the Board to eliminate that position, nominate a candidate in place of the unavailable nominee, in which case all shares represented by proxies received by the Board will be voted for election of the substitute nominee, unless authority to vote for all candidates nominated by the Board is withheld, or leave the position vacant until a later date.

Director Independence

The listing standards of the NYSE require that a majority of our directors and all members of our Audit, Compensation and Organization and Governance Committees be independent. Our Corporate Governance Guidelines provide that, as a matter of policy, at least 80% of our directors should be independent in accordance with the NYSE listing standards and our By-laws and Corporate Governance Guidelines.

Under the NYSE listing standards, a director is considered independent only if the Board "affirmatively determines that the director has no material relationship with [us] (either directly or as a partner, shareholder or officer of an organization that has a relationship with [us])." A director is not independent if the director does not meet certain standards specifically set out in the NYSE listing standards.

The independence standards in our Corporate Governance Guidelines provide that if a director (or any entity of which he or she is a director, officer or holder of 10% or more of the outstanding ownership interest) and we have any relationship that accounts for more than 1% of our or the other entity's annual revenue and/or expenses, or a 5% ownership interest by one in the other, that director will not be independent. Members of legal, accounting or auditing firms providing services to us are also not independent under our By-laws.

Using the standards for determining the independence of its members described above, and based upon information provided by each of our directors and the recommendation of the Governance Committee of our Board of Directors, the Board has determined that each of our directors, except Mr. Metcalf, our Chairman, President and Chief Executive Officer, is independent as defined by the NYSE listing standards and our By-laws and Corporate Governance Guidelines.

In making this determination, the Board considered the following transactions, relationships and arrangements involving the directors identified below that are not otherwise required to be disclosed in this proxy statement under the Securities and Exchange Commission's rules:

- Jose Armario is an executive officer of a corporation to which we sell building materials;
- Matthew Carter Jr. was an executive officer of a corporation from which we purchase communication services and equipment;
- Gretchen R. Haggerty's brother is a partner at a firm we used for consulting services;
- William H. Hernandez is a director of a corporation from which we purchase communication equipment;
- Brian A. Kenney is an executive officer and a director of a corporation from which we lease railcars;
- Richard P. Lavin is a director of a corporation from which we purchase equipment; and
- Steven F. Leer is a director of a corporation from which we purchase rail transportation services.

Lead Director

As discussed below under the heading "Board Leadership," our Corporate Governance Guidelines were revised in 2011 to create the position of lead independent director, or Lead Director. The Lead Director is designated annually by and from the Board's independent directors, with the expectation of the Board that the Lead Director will be re-appointed for multiple, consecutive one-year terms. Steven F. Leer was designated as our first Lead Director in 2012, and has remained in the position for each subsequent year.

Director Nominees and Directors Continuing in Office

Set forth below is information regarding the nominees for election as directors and information regarding the directors in each class continuing in office after the annual meeting.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS
FOR A THREE-YEAR TERM TO EXPIRE IN 2018

The Board of Directors recommends a vote FOR the election of each of the nominees for director.

JOSE ARMARIO, 55, has been Executive Vice President of Worldwide Supply Chain, Development, and Franchising of McDonald's Corporation since August 2011. He served as Group President, McDonald's Canada and Latin America of McDonald's Corporation from February 2008 to August 2011. Mr. Armario is a director of the International Advisory Board and President's Council of the University of Miami. He also is a director of The Chicago Council on Global Affairs. Mr. Armario has been a director since January 2007. He is a member of the Board's Audit and Compensation and Organization Committees.

GRETCHEN R. HAGGERTY, 59, retired as the Executive Vice President and Chief Financial Officer of United States Steel Corporation in August 2013, after having held that position for more than the past five years. Ms. Haggerty is a director of the Strategic Investment Fund and the United Way of Allegheny County. Ms. Haggerty has been a director since May 2011. She is a member of the Board's Audit and Finance Committees.

WILLIAM H. HERNANDEZ, 66, retired as Senior Vice President, Finance and Chief Financial Officer of PPG Industries, Inc. in 2009 after having served in that position for more than the past five years. He is a director of Black Box Corporation, Albemarle Corporation and Northrop Grumman Corporation and previously served as a director of the Eastman Kodak Company. Mr. Hernandez has been a director since September 2009. He is Chair of the Board's Audit Committee and is a member of the Board's Finance Committee.

Directors Continuing in Office (Terms Expiring in 2016)

THOMAS A. BURKE, 57, has been President and Chief Executive Officer of Modine Manufacturing Company for more than the past five years. Mr. Burke serves as a director of Modine Manufacturing Company and as a director of the National Association of Manufacturers. Mr. Burke has been a director since September 2013. He is a member of the Board's Audit and Governance Committees.

BRIAN A. KENNEY, 55, is Chairman, President and Chief Executive Officer of GATX Corporation, and has held this position since 2005. Mr. Kenney serves on the Board of Trustees of the Shedd Aquarium in Chicago and the Advisory Board for the Kellogg Institute of International Studies at the University of Notre Dame. Mr. Kenney has been a director since February 2011. He is Chair of the Board's Finance Committee and a member of the Board's Governance Committee.

STEVEN F. LEER, 62, retired as Chairman of Arch Coal, Inc., a coal producing company, in 2014 after having served in that position since April 2006. He was also the Chief Executive Officer of Arch Coal, Inc. until April 2012. Mr. Leer is a director of Norfolk Southern Corporation and Parsons Corporation. He is a director of the Greater St. Louis Area Boy Scouts of America and a member of the boards of the National Association of Manufacturers and Washington University in St. Louis. Mr. Leer has been a director since June 2005. He is the Board's Lead Director, Chair of its Governance Committee and a member of its Compensation and Organization Committee.

Directors Continuing in Office (Terms Expiring in 2017)

MATTHEW CARTER JR., 54, is the former President of the Sprint Enterprise Solutions business unit of Sprint Corporation, after having served in that position since September 2013. From January 2010 until September 2013, Mr. Carter was President, Sprint Global Wholesale & Emerging Solutions at Sprint Nextel Corporation. He served as President of Boost Mobile at Sprint Nextel Corporation from May 2008 to January 2010. Mr. Carter is a director of Apollo Group, Inc. He has been a director since September 2012. Mr. Carter is a member of the Board's Compensation and Organization and Governance Committees.

RICHARD P. LAVIN, 62 has been President and Chief Executive Officer of Commercial Vehicle Group, Inc. since May 2013. Mr. Lavin had previously served as Group President of Caterpillar Inc. until his retirement in December 2012, after having served in that position for more than the past five years. Mr. Lavin also serves as a director for ITT Corporation. Mr. Lavin has been a director since November 2009. He is the Chair of the Board's Compensation and Organization Committee and a member of its Finance Committee.

JAMES S. METCALF, 57, is our Chairman, President and Chief Executive Officer. He was elected Chairman effective December 1, 2011. He has served as our Chief Executive Officer and President since January 2011 and was our President and Chief Operating Officer from January 2006 until becoming Chief Executive Officer. He is a director of Tenneco Inc. and the National Association of Manufacturers and previously served as a director of Molex Corporation. Mr. Metcalf has been a director since May 2008.

As evidenced by the director biographical information provided above, our directors have significant experience in chief executive or other senior level operating, financial, and international management positions. In addition, a majority of our directors have experience in cyclical business, which we believe will assist the Board in management's development and implementation of our growth strategies. These directors also have extensive familiarity with us and our industry, which provides them with a longer-term perspective to advise regarding strategic, operational and financial issues associated with the cyclicality of our business.

Seven of our nine directors also serve as a director of other public companies, which provides them with diverse experiences that can enhance their contribution to our Board governance practices. Also, Messrs. Armario and Hernandez, who are of Hispanic descent, Mr. Carter, who is African American, and Ms. Haggerty provide ethnic and gender diversity to our Board that supports our commitment to diversity as a core value in our efforts to attract and retain a diverse workforce as well as to enhance our relationship with an increasingly diverse customer base.

Specific experience, qualifications, attributes and skills of our current directors considered by the Governance Committee as part of its review of our Board's membership and in connection with its nomination of the candidates for election to the Board at this meeting include the following:

Mr. Armario more than eight years' service as a director and extensive consumer products marketing, branding, supply chain and Latin American markets expertise gained in his roles at McDonald's Corporation;

Mr. Burke experience managing cyclical businesses and international operations as the President, Chief Executive Officer and board member of Modine Manufacturing Company, a publicly traded manufacturer of thermal management systems and components, and insights regarding the manufacturing industry from his service on the board of the National Association of Manufacturers;

Mr. Carter significant marketing, technology and international experience, previous management oversight for Sprint Corporation's global roll-out of fourth generation broadband wireless services, and insights as a director and member of the audit committee of another public company;

Ms. Haggerty more than ten years as chief financial officer of United States Steel Corporation, as well as her substantial international and cyclical business experience;

Mr. Hernandez more than 16 years as chief financial officer of PPG Industries, Inc., substantial experience as a director, Board leadership as Chair of the Audit Committee and insights as a director and member of the audit committees of two other public companies, on both of which he serves as chair, and cyclical business experience;

Mr. Kenney more than nine years as Chairman, President and Chief Executive Officer of GATX Corporation, extensive finance and international investment experience, corporate governance insights from his service at GATX Corporation and the similarity of the cyclical nature of our business and GATX Corporation's business, which provides Mr. Kenney with an understanding of the challenges recent economic conditions present for our businesses;

Mr. Lavin experience managing cyclical, global manufacturing businesses as the President and Chief Executive Officer of Commercial Vehicle Group, Inc., a publicly traded company, and prior thereto as Group President of Caterpillar Inc., as well as his diverse legal and human resources background;

Mr. Leer over nine years as a director, Board leadership as Lead Director and Chair of the Compensation and Organization Committee, corporate governance insights from his service as Chairman of Arch Coal, Inc. and as a director of another public company and particular insights regarding business conditions and developments in the United States from his service on the board of the National Association of Manufacturers; and

Mr. Metcalf service as our Chairman, President and Chief Executive Officer, and previously as our President and Chief Operating Officer for five years, and as an executive officer for more than 14 of his almost 34 years with USG, with direct management responsibility during his career for our North American Gypsum, Building Products Distribution and Worldwide Ceilings businesses, governance insights from his past and present service as a director of another public company and particular insights regarding business conditions and developments in the United States from his service on the board of the National Association of Manufacturers.

Additionally, the Governance Committee considered the qualities for directors set out in our Corporate Governance Guidelines and the cooperative manner in which the directors interact and conduct the Board's deliberations.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Meetings of the Board of Directors

The Board held eight meetings, and its committees held a total of 19 meetings, during 2014. Each director attended at least 75% of the meetings of the Board and the committees on which he or she served.

Two executive sessions of the Board are required to be held annually by our Corporate Governance Guidelines. One executive session was held in February 2014 and conducted by the Chair of the Compensation and Organization Committee to review the performance of Mr. Metcalf in 2013 and to consider his compensation for 2014. A second session was held in November 2014 and conducted by the Chair of the Governance Committee primarily to review the results of the Board's self evaluation process. Unscheduled executive sessions may be held at the request of one or more directors. During 2014, additional executive sessions were held in March, May, July and September.

Board Leadership

Mr. Metcalf is Chairman of the Board, President and Chief Executive Officer. He has been our Chief Executive Officer since January 1, 2011 and became Chairman of the Board on December 1, 2011. Our Corporate Governance Guidelines provide that it is the Board's policy that the matter of whether the Chairman and Chief Executive Officer positions should be separate is one to be considered when a new Chief Executive Officer is selected, unless the Board believes consideration of the matter is warranted at another time based on then-existing circumstances. The Governance Committee and the Board discussed board leadership alternatives on a number of occasions during 2011 before deciding to recombine the Chairman and Chief Executive Officer roles.

As a result of Mr. Metcalf's long tenure at USG, including five years as President and Chief Operating Officer, the Board believes he is uniquely qualified through his experience and expertise to be the person who generally sets the agenda for, and leads discussions of, strategic issues. The Board also believes that Mr. Metcalf's serving as both Chairman and Chief Executive Officer is appropriate taking into consideration the size and nature of our businesses, Mr. Metcalf's established working relationship and open communication with our independent directors, the significant board-level experience of our independent directors as a whole, the strong independent leadership and accountability to stockholders provided by more than 80% of our directors being independent, the independent leadership provided by our Committee chairs and our Board culture in which Mr. Metcalf and the other directors are able to debate different points of view and reach consensus in an efficient manner.

In deciding that a combined Chairman and Chief Executive Officer position is the appropriate leadership structure for the Company at this time, the Governance Committee and Board also recognized the benefit of independent leadership to enhance the effectiveness of the Board's oversight role and communications between the Board and Mr. Metcalf. Our Corporate Governance Guidelines provide that in the event the Chairman and Chief Executive Officer positions are held by one person, our independent directors may designate a Lead Director from among the independent directors. The designation of the Lead Director is to be made annually, although with the expectation of the Board that the Lead Director will be re-appointed for multiple, consecutive one-year terms. Steven F. Leer was designated as our first Lead Director in 2012, and has remained in the position for each subsequent year. The responsibilities of the Lead Director include:

- consulting with the Chairman and Chief Executive Officer regarding the schedule of Board and Committee meetings;
- providing the Chairman and Chief Executive Officer with input regarding the agendas and materials for Board meetings;
- presiding at executive sessions of the independent directors, except as otherwise provided in our Corporate Governance Guidelines;
- serving as an adviser to the Chairman and Chief Executive Officer regarding his concerns and those of the independent directors;

- serving as a liaison and supplemental channel of communication between the Chairman and Chief Executive Officer and the independent directors; and

- consulting and communicating with major stockholders, as requested by the Chairman and Chief Executive Officer.

Committees of the Board of Directors

The Board has four standing committees. They are the

- Audit Committee,

- Compensation and Organization Committee,

- Finance Committee, and

- Governance Committee.

Each committee has a charter that requires its members to be "independent" as defined in the NYSE listing standards and our By-laws and Corporate Governance Guidelines. The following table indicates the current members of each Board committee.

Name	Audit	Compensation and Organization	Finance	Governance
Jose Armario	x	x		
Thomas A. Burke	x			x
Matthew Carter Jr.		x		x
Gretchen R. Haggerty	x		x	
William H. Hernandez	x*		x	
Brian A. Kenney			x*	x
Richard P. Lavin		x*	x	
Steven F. Leer		x		x*

* Chair

Audit Committee

The Audit Committee's responsibilities include

- assisting the Board in monitoring the integrity of our financial statements, our compliance with financial reporting and related legal and statutory requirements and the independence and performance of our internal and external auditors, and

- selecting and employing a firm of independent registered public accountants to audit our financial statements and internal control over financial reporting each year, which firm is ultimately accountable to the Audit Committee and the Board.

The Board of Directors has determined that Ms. Haggerty and Messrs. Armario, Burke and Hernandez are "audit committee financial experts" as defined by the rules of the Securities and Exchange Commission. The Board has also determined that each member of the Audit Committee is independent as defined by the applicable NYSE and Securities and Exchange Commission rules. The Audit Committee met seven times during 2014.

Compensation and Organization Committee

The Compensation and Organization Committee's responsibilities include

- reviewing and making recommendations to the Board regarding management organization, succession and development programs, and the election of Corporation officers,

- reviewing and approving, or recommending for approval, officers' salaries, incentive compensation and bonus awards,
- making, itself or through a subcommittee, the decisions required by a committee of the Board under all equity compensation plans we have adopted, and
- reporting to the Board changes in salary ranges for all major position categories and changes in our retirement, group insurance, investment, management incentive compensation and other benefit plans.

The Board of Directors has determined that each member of the Compensation and Organization Committee is independent as defined by the applicable NYSE and Securities and Exchange Commission rules. The Compensation and Organization Committee met five times during 2014.

Finance Committee

The Finance Committee's responsibilities include

- providing review and oversight of, and making recommendations to the Board regarding, material financing requirements and funding programs, including debt issuances and repurchases,
- reporting to the Board periodically regarding the funding of our qualified retirement plans and authorizing necessary or desirable changes in actuarial assumptions for funding those retirement plans, and
- considering any other matters as may periodically be referred to the Committee by the Board.

The Finance Committee met four times during 2014.

Governance Committee

The Governance Committee's responsibilities include

- making recommendations to the Board concerning the size and composition of the Board and its committees,
- recommending nominees for election or reelection as directors,
- considering other matters pertaining to Board membership, such as the compensation of non-employee directors, and
- evaluating Board performance and assessing the adequacy of, and compliance with, our Corporate Governance Guidelines and Code of Business Conduct.

The Governance Committee met three times during 2014.

Stockholder Nominee Recommendations and Criteria for Board Membership

The Governance Committee considers director nominee recommendations submitted by our stockholders. Director nominee recommendations from stockholders must be in writing and include a brief account of the nominee's business experience during the past five years, including principal occupations and employment during that period and the name and principal business of any corporation or organization of which the nominee is a director. Stockholder director nominee recommendations should be sent to the Governance Committee, USG Board of Directors, c/o Corporate Secretary, 550 West Adams Street, Chicago, Illinois 60661-3676. Recommendations may be submitted at any time, but will not be considered by the Governance Committee in connection with an annual meeting unless received on or before the date prior to the annual meeting determined as provided in our By-laws. The director nominee recommendation submission deadline for the 2015 annual meeting of stockholders is described under the heading "Deadline for Stockholder Proposals" on page 70 of this proxy statement.

Our process for reviewing and selecting new director nominees involves seeking out a diverse group of candidates who possess the background, skills and expertise to make a significant contribution to the Board, USG and our stockholders. Desired qualities for our directors, including those recommended for nomination by our stockholders, are described in our Corporate Governance Guidelines and on our website www.usg.com. Those qualities include high-level leadership experience in business activities, ability and willingness to contribute special competencies to Board activities and personal attributes such as integrity, willingness to apply sound and independent business judgment and assume broad fiduciary responsibility and awareness of a director's vital contribution to our corporate image. Additional search criteria may be determined by the Governance Committee. We do not have a formal policy with regard to the consideration of diversity in identifying directors. Our Corporate Governance Guidelines provide that candidates for Board membership will be considered without regard to race, color, religion, gender, ancestry, national origin, sexual orientation or disability. When seeking new director candidates, the Governance Committee considers the subject matter expertise and geographic experience of existing Board members to determine whether a candidate with a particular expertise or experience set would be desirable. The Committee seeks to have a mix of directors with experience in one or more areas relevant to our businesses, including operations, manufacturing, marketing, finance, technology and innovation and international, as well as experience with cyclical businesses. Depending on current Board membership, it may also decide to seek a qualified candidate who is female or adds to the ethnic diversity of the Board.

Generally, to fill a vacancy or to add an additional director, the Governance Committee retains an executive search firm to assist in identifying and recruiting appropriate candidates. Any director candidate selected by this process or as a result of a stockholder recommendation is expected to meet with a number of directors, including the Chair of the Governance Committee, prior to any decision to nominate the candidate for election to the Board.

Communications with Directors

Stockholders and other interested parties may send communications to our directors as a group or individually by addressing them to the director or directors at USG Corporation, c/o Corporate Secretary, 550 West Adams Street, Chicago, IL 60661-3676. Stockholder communications will be reviewed by the Corporate Secretary for relevance to our business and then forwarded to the intended director(s), as appropriate. Stockholders may meet directors before or after the annual meeting. As a matter of policy, all directors are expected to attend the annual meeting. All directors serving at the time, except two, attended the 2014 annual meeting.

Risk Oversight

The NYSE listing requirements provide that our Audit Committee must discuss our guidelines and policies that govern the process by which we assess and manage our exposure to risk. Consistent with this requirement, the Audit Committee's charter provides that the Committee's responsibilities include discussing our risk assessment and risk management policies. This discussion takes place at least once each year as part of our review of our enterprise risk management (ERM) program. That review includes discussion of management delegations of responsibility for the principal financial, governance, legal and operational risk exposures identified as part of our ERM program and delegations of responsibility for oversight of those risks to Board committees and/or the full Board. The Board committees consider risks related to matters within the scope of their responsibilities as part of their regular meeting agendas, and the committee chairs report to the full Board regarding matters considered by their committees following each committee meeting. Management also formally reviews strategic risks with the full Board at least once each year, typically as part of our strategic planning review with the Board. The Board also reviews individual risks as they relate to specific issues presented to the Board throughout the year.

In early 2015 management updated and reviewed with the Compensation and Organization Committee a risk assessment of our compensation policies and practices for all employees, including our executive officers. As part of its assessment, management reviewed our compensation programs for certain design features that commentators have identified as having the potential to encourage excessive risk-taking, including

- too much focus on equity awards,
- total compensation opportunity that is overly weighted toward annual incentives,
- highly leveraged payout curves and uncapped payouts,
- unreasonable goals or thresholds, and

- steep payout cliffs at certain performance levels that may encourage short-term business decisions to meet payout thresholds.

In its assessment, management noted several design features of our compensation programs that reduce the likelihood of excessive risk-taking, including

- the program design for executive officers and other senior managers provides a balanced mix of cash and equity awards, annual and long-term incentives and operating and financial performance metrics that promote a focus on long-term performance without undue emphasis on short-term results,
- maximum payout levels under most of our annual incentive programs are capped at 200% of target, or par,
- our annual incentive program performance targets for business unit heads include non-business unit targets in order help incentivize business unit head participants to properly consider our overall corporate performance when making decisions,
- the Compensation and Organization Committee has downward discretion over annual incentive program payouts,
- the annual incentive program for our executive officers, and the agreements evidencing their equity awards for 2015 and the six prior years, allow the Board to "clawback" payments made to them under certain circumstances,
- we recently introduced the use of market share units in our long-term incentive plan because they may retain some value in a depressed market so that their holders are less likely to take unreasonable risks than they would to get or keep options "in the money",
- our equity awards generally are granted on an annual basis with long-term, overlapping vesting periods to motivate award holders to focus on sustained stock price appreciation, and
- the stock ownership requirements for our executive officers and other senior managers aligns the interests of the holders of those awards with the interests of our stockholders.

Based on its assessment, management concluded that our compensation programs promote value creation, do not encourage excessive risk and are not reasonably likely to have a material adverse effect on us. The Compensation and Organization Committee and its consultant concurred with that conclusion based on management's review of its assessment with them.

Corporate Governance

Our By-laws, Corporate Governance Guidelines and Code of Business Conduct, and the charters of our Board committees, are posted on our website www.usg.com. The information on our website is not, and will not be deemed to be, a part of this proxy statement or incorporated into any of our other filings with the Securities and Exchange Commission except where we expressly incorporated such information.

Berkshire Hathaway

In January 2006, in connection with the rights offering we effected to finance a portion of the payments required by our plan of reorganization, we entered into an equity commitment agreement with Berkshire Hathaway, our largest stockholder, to provide a backstop commitment with respect to the rights offering. In connection with that commitment, Berkshire Hathaway acquired 6,969,274 shares of our common stock. We also entered into a shareholder's agreement, or the Shareholder's Agreement, with Berkshire Hathaway pursuant to which Berkshire Hathaway agreed, among other things, to a standstill period, which ended in August 2013. We and Berkshire Hathaway also agreed that, after the standstill period ends, during the time that Berkshire Hathaway owns our equity securities, Berkshire Hathaway will be exempted from our stockholder rights plans, except that our stockholder rights plans may require that Berkshire Hathaway does not acquire (although it may continue to hold) beneficial ownership of more than 50% of our voting securities, on a fully diluted basis, other than pursuant to an offer to acquire all shares of our common stock that is open for at least 60 calendar days.

Rights Agreement and Protective Amendment

We have a stockholder rights plan, or the Rights Plan, established under the terms of a rights agreement dated December 21, 2006, as amended, with Computershare Trust Company N.A., as Rights Agent, or the Rights Agreement. On March 22, 2013, our board of directors approved an amendment to the Rights Agreement in an effort to protect our net operating loss, or NOL, carryforwards. Our stockholders ratified, on an advisory basis, the March 22, 2013 amendment to our Rights Agreement at our 2013 annual meeting of stockholders. On February 11, 2015, our board of directors approved another amendment to the Rights Agreement. The primary purpose of the foregoing amendments is to protect the value of the Company's NOLs and related tax benefits. The Rights Agreement, as amended, provides that if any person becomes the beneficial owner of 4.9% or more of our common stock, stockholders other than the 4.9% triggering stockholder will have the right to purchase additional shares of our common stock at half the market price, thereby diluting the triggering stockholder; provided that stockholders whose beneficial ownership exceeded 4.9% of our common stock outstanding on February 11, 2015 will not be deemed to have triggered the Rights Agreement, as amended, so long as they do not thereafter acquire additional common stock other than in certain specified exempt transactions.

The Company's ability to use its NOLs could be substantially reduced if the Company experiences an "ownership change," as defined under Section 382 of the Internal Revenue Code of 1986 (the "Code"). The amendment adopted on February 11, 2015 maintains previously adopted protections and modifies, until March 22, 2016 (or such earlier time that the Board determines that no Tax Benefits (as defined in the Rights Agreement) may be carried forward or that the Rights Agreement is no longer necessary for the protection of Tax Benefits) (the "Special Period"), the definition of when a Person (as defined in the Rights Agreement) will be deemed the "Beneficial Owner" of, and to "Beneficially Own," securities under the Rights Agreement to align with the definition of ownership under Section 382 of the Code. Under the revised definition, during the Special Period, only acquisitions that would result in ownership of more than 4.9% of the Company's then-outstanding shares of common stock, as determined pursuant to Section 382 of the Code, would cause a stockholder to be deemed an "Acquiring Person," subject to certain specified exempt transactions. Upon the expiration of the Special Period, the triggering threshold level under the Rights Plan will revert to the 15% level in effect prior to the amendment on March 22, 2013, and the definition of "Beneficial Owner" and "Beneficially Own" will revert to a definition that does not track Section 382 of the Code.

The Rights Agreement also provides that Berkshire Hathaway may acquire 50% or more of our fully diluted common stock without triggering the Rights Plan if acquired through an offer to purchase all of our common stock that remains open for at least 60 calendar days.

The rights issued pursuant to the Rights Agreement will expire on January 2, 2017. However, our board of directors has the power to accelerate or extend the expiration date of the rights. In addition, a board committee composed solely of independent directors reviews the Rights Agreement at least once every three years to determine whether to modify the Rights Plan in light of all relevant factors. This review was most recently conducted in November 2012. The next review is required by the end of 2015.

Following stockholder approval, on May 9, 2013, we filed an amendment to our Restated Certificate of Incorporation, or the Protective Amendment, that restricts certain transfers of our common stock. The Protective Amendment is intended to protect the tax benefits of our NOL carryforwards. Subject to certain limited exceptions, the Protective Amendment's transfer restrictions would restrict any person from transferring our common stock (or any interest in our common stock) if the transfer would result in a stockholder (or several stockholders, in the aggregate, who hold their stock as a "group" under Section 382 of the Code) owning 4.9% or more of our common stock. Any direct or indirect transfer attempted in violation of the Protective Amendment would be void as of the date of the prohibited transfer as to the purported transferee, and the purported transferee would not be recognized as the owner of the shares attempted to be owned in violation of the Protective Amendment for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of that common stock, or in the case of options, receiving our common stock in respect of their exercise. The Protective Amendment is effective until the earlier of (i) May 9, 2016, (ii) the repeal of Section 382 of the Code if our Board of Directors determines that the Protective Amendment is no longer necessary for the preservation of tax benefits, (iii) the first day of a taxable year as to which our Board of Directors determines that no tax benefits may be carried forward, and (iv) such other date as determined by our Board of Directors pursuant to the Protective Amendment.

Recent By-law Amendment

In November 2014, our Board amended Article VIII of our By-Laws to add a new forum selection provision. The provision provides that unless USG consents in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of USG, (b) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of USG to USG or its stockholders, creditors or other constituents, (c) any action asserting a claim against USG or any director or officer or other employee of USG arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or By-Laws, or (d) any action asserting a claim against USG or any director or officer or other employee of USG governed by the internal affairs doctrine, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware). Our Board determined that adoption of the forum selection By-Law is in the best interests of USG and its stockholders for a number of reasons, including the importance of preventing the unnecessary diversion of corporate resources to address costly, wasteful and duplicative multi-forum litigation, facilitating increased consistency and predictability in litigation outcomes and recent caselaw developments in other jurisdictions upholding the Board's authority to adopt such By-Laws and their validity.

More information about, and copies of, the Protective Amendment, the Rights Plan, and the agreements referred to in this section and other related agreements are included in reports or statements we filed with the Securities and Exchange Commission on January 30, 2006, February 28, 2006, December 21, 2006, December 5, 2008, March 22, 2013, May 10, 2013, November 18, 2014 and February 11, 2015.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information as of the record date regarding beneficial ownership of our common stock by each director and each executive officer named in the Summary Compensation Table and all directors and executive officers as a group, including any shares held by executive officers through the Investment Plan.

Name	Common Shares Beneficially Owned, Excluding Shares Subject to Options and Restricted Stock Units (a)	Shares Subject to Vested Options and Options and Restricted Stock Units that Vest Within 60 Days	Deferred Stock Units (b)	Total Beneficial Stock and Stock Unit Holdings	Percent of Class
Jose Armario(c)	1,944		66,213	68,157	*
Thomas A. Burke	710		4,273	4,983	*
Matthew Carter Jr.			7,837	7,837	*
Dominic A. Dannessa(d)	70,567	107,249		177,816	*
Stanley L. Ferguson	133,589	116,046		249,635	*
Christopher R. Griffin	93,567	121,661		215,228	*
Gretchen R. Haggerty	29,559			29,559	*
William H. Hernandez	17,905		14,897	32,802	*
Matthew F. Hilzinger	45,413	94,711		140,124	*
Brian A. Kenney	24,505			24,505	*
Richard P. Lavin	24,503			24,503	*
Steven F. Leer	5,818		71,014	76,832	*
James S. Metcalf	269,482	265,393		534,875	*
All directors and executive officers as a group (20 persons)	1,057,740	952,534	164,234	2,174,508	1.49%

* Less than one percent

(a) Unless otherwise noted, each individual or member of the group has sole voting power and investment power with respect to the shares shown in this column.

(b) Indicates the non-voting deferred stock units credited to the account of the individual director or members of the group under current and past director compensation programs. The units increase and decrease in value in direct proportion to the market value of our common stock and are paid in cash or stock following termination of Board service.

(c) Includes 1,131 shares held by trusts for the benefit of Mr. Armario's children.

(d) Includes 8,736 shares held by the Josette Dannessa Trust, which shares are held in a bank account with margin provisions.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures Regarding Related Party Transactions

Our Code of Business Conduct provides that all of our employees, including our executive officers, and our directors, must avoid "conflicts of interest" situations where their personal interest may be inconsistent with our interest and may interfere with the employee's or director's objectivity in making business decisions on our behalf. A conflict of interest may exist, for example, when an employee, officer or director (or one of their family members) has a financial interest in a company with which we do business or if an employee, officer or director in a position to influence business dealings with a company (a) has a direct or indirect interest in that company that would reasonably be viewed as significant to that person and (b) the amount of business done between us and that company is significant.

All of our employees and directors are required to report conflicts of interest so that we may address the situation properly. After disclosure, some conflicts of interest can be resolved through implementing appropriate controls for our protection. Where an appropriately disclosed conflict of interest is minor and not likely to adversely impact us, we may consent to the activity. In other cases where appropriate controls are not feasible, the person involved will be requested not to enter into, or to discontinue, the relevant transaction or relationship.

All of our executive officers and other salaried employees are required to disclose actual or potential conflicts of interest in which they may be personally involved in an annual certification reviewed by our Internal Audit and Legal Departments. In addition, all of our executive officers are required to disclose actual or potential conflicts of interest by quarterly certifications. Employees who complete these certifications are also required promptly to report in writing to the Internal Audit Department any conflict of interest situations that arise during the period between certifications.

Conflict of interest situations reported by employees are addressed by our Business Ethics Committee made up of representatives from our Internal Audit, Legal and Human Resources Departments, and, where appropriate, by senior management. If the conflict of interest involves one of our executive officers, the situation will be addressed by our Board of Directors or the Audit Committee of the Board. Quarterly reports of conflicts of interest and the resolution of them are provided to our Disclosure Committee and Chief Executive Officer in accordance with our disclosure controls and procedures.

We recognize that directors may be connected with other organizations with which we have business dealings from time to time. Under our Corporate Governance Guidelines, it is the responsibility of each director to advise the Chairman of the Board and the Governance Committee of the Board, through its Chair, of any affiliation with public or privately held businesses or enterprises that may create a potential conflict of interest, potential embarrassment to us, or possible inconsistency with our policies or values. Directors are also to advise the Chairman of the Board and the Governance Committee in advance of accepting an invitation to serve on the board of another public company.

We annually solicit information from our directors in order to monitor potential conflicts of interest. In accordance with our Corporate Governance Guidelines, any actual or potential conflict of interest involving a director will be investigated by the Governance Committee, with management assistance as requested, to determine whether the affiliation or transaction reported impairs the director's independence and whether it is likely to adversely impact us. If the Committee determines that the director's independence would be impaired, or the affiliation or transaction would likely impact us adversely, the director would generally be asked not to enter into, or to discontinue, the reported relationship or to resign from the Board. In other circumstances, the Committee will generally determine what, if any, controls, reporting and/or monitoring procedures are appropriate for our protection as a condition for approving the reported relationship or transaction. Relationships that give rise to potential conflicts of interest are generally not considered to adversely impact us if they are not required to be disclosed pursuant to Item 404(a) of the Securities and Exchange Commission's Regulation S-K because

- the amount involved in the transaction is less than $120,000,

- the director's only relationship to the other party involved in the transaction is as a director, the director's interest arises solely from the ownership of our stock and all holders of our stock received the same benefit on a pro rata basis,

the transaction involves rates or charges determined by competitive bids, or

the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

The foregoing policies and procedures apply to transactions involving our directors and executive officers and their immediate family members required to be reported under Item 404 (a) of Regulation S-K. Pursuant to a written directive issued by our Chairman, transactions required to be reported under that Item involving holders of more than 5% of our common stock are subject to review by an officer at the level of Executive Vice President or above to determine whether they are on an arm's-length basis.

Compensation of all of our executive officers is approved by our Compensation and Organization Committee or the Board of Directors and compensation of our directors is approved by the Board.

Issuance, and Call for Redemption, of Convertible Senior Notes

In November 2008, we issued $400 million aggregate principal amount of 10% Contingent Convertible Senior Notes due 2018 to affiliates of Berkshire Hathaway and Fairfax Financial Holdings Limited, or Fairfax. Berkshire Hathaway beneficially owns more than 5% of our common stock and Fairfax, during part of 2014, beneficially owned more than 5% of our common stock.

In November 2013, we issued a notice of redemption to redeem $325 million in aggregate principal amount of the notes. The notes called for redemption could either be (1) redeemed at a stated redemption price or (2) converted into shares of USG common stock. The holders of all $325 million in notes called for redemption elected to convert their notes into shares of USG's common stock. Accordingly, in December 2013 we issued an additional 28,508,768 shares of common stock to affiliates of Berkshire Hathaway and Fairfax in connection with the conversion of the notes.

In March 2014, we issued a notice of redemption to redeem the remaining $75 million in aggregate principal amount of outstanding notes. Again, the notes called for redemption could either be (1) redeemed at a stated redemption price or (2) converted into shares of USG common stock. The holders of all $75 million in notes called for redemption elected to convert their notes into shares of USG's common stock. Accordingly, in April 2014 we issued an additional 6,578,946 shares common stock to affiliates of Berkshire Hathaway and Fairfax in connection with the conversion of the notes.

In connection with the 2008 issuance of notes, we entered into separate securities purchase agreements and registration rights agreements with Berkshire Hathaway and Fairfax. Pursuant to the securities purchase agreements, Berkshire Hathaway and Fairfax had the right, for so long as they owned any notes, to participate in any of our future issuances of common stock, subject to certain exceptions.

Under the registration rights agreements, we granted Berkshire Hathaway and Fairfax demand and piggyback registration rights with respect to all of the notes and shares of common stock held by them and specified affiliates from time to time. The registration rights agreements entitle each of Berkshire Hathaway and Fairfax to make three demands for registration of all or part of the notes or common stock held by them and their affiliates, subject to certain conditions and exceptions. The registration rights agreements also provide that, subject to certain conditions and exceptions, if we propose to file a registration statement under the Securities Act of 1933, as amended, with respect to an offering of securities on a form that would permit registration of the notes or shares of common stock that are held by Berkshire Hathaway, Fairfax or the specified affiliates, then we will offer Berkshire Hathaway, Fairfax and their specified affiliates the opportunity to register all or part of their notes or shares of common stock on the terms and conditions set forth in the applicable registration rights agreement. The registration rights agreement with Berkshire Hathaway amended and restated the registration rights agreement we entered into with Berkshire Hathaway in January 2006. The registration rights agreement with Fairfax expired in 2014.

The securities purchase agreements, the registration rights agreements and the notices of redemption issued with respect to the notes in November 2013 and March 2014, were approved by our Board of Directors. Copies of the agreements referred to in this section and other related agreements are included in a report we filed with the Securities and Exchange Commission on November 26, 2008.

Shareholder's Agreement with Berkshire Hathaway

In connection with the equity commitment agreement we entered into with Berkshire Hathaway in January 2006, we entered into the Shareholder's Agreement with Berkshire Hathaway pursuant to which Berkshire Hathaway agreed, among other things, to a standstill period, which ended in August 2013. We and Berkshire Hathaway also agreed that, after the standstill period ends, during the time that Berkshire Hathaway owns our equity securities, Berkshire Hathaway will be exempted from our stockholder rights plans, except that our stockholder rights plans may require that Berkshire Hathaway does not acquire (although it may continue to hold) beneficial ownership of more than 50% of our voting securities, on a fully diluted basis, other than pursuant to an offer to acquire all shares of our common stock that is open for at least 60 calendar days.

The equity commitment agreement and Shareholder's Agreement were approved by our Board of Directors.

Transactions with Principal Stockholders

We purchase products, principally fiberglass and insulation, and services, including pipeline services and insurance services, and lease equipment from subsidiaries of Berkshire Hathaway in the ordinary course of our business. The aggregate amount of those purchases and lease transactions in 2014 was approximately $32.9 million. In addition, we sell roofing and other building products to subsidiaries of Berkshire Hathaway. The aggregate amount of these sales in 2014 was $10.4 million. We purchase products, principally insulation, from affiliates of Gebr. Knauf in the ordinary course of business. Those purchases aggregated approximately $3.7 million in 2014. We sold approximately $2.2 million of products to affiliates of Gebr. Knauf in 2014. We are a partner with an affiliate of Gebr. Knauf in a joint venture that manufactures and markets cement-based panels primarily in Europe and Russia. The joint venture had sales of approximately $65 million in 2014.

In 2012, we and our wholly-owned subsidiaries, USG Foreign Investments, Ltd. and USG (UK) Ltd., collectively the Sellers, entered into a Share and Asset Purchase Agreement ("SAPA") with Knauf International GmbH and Knauf AMF Ceilings Ltd., affiliates of Gebr. Knauf and collectively Knauf, pursuant to which the Sellers sold to Knauf certain of their wholly-owned European business operations. There are continuing indemnification obligations under the SAPA pursuant to which we may be obligated to pay money to, or entitled to receive money from, certain entities affiliated with Knauf.

We and our subsidiary L&W Supply Corporation are defendants in lawsuits relating to Chinese-made wallboard installed in homes primarily in the southeastern United States in 2006 and 2007. Most of the lawsuits against us relate to wallboard manufactured by Knauf Plasterboard (Tianjin) Co., an affiliate of Gebr. Knauf. We have reached an agreement with Gebr. Knauf and their respective affiliates that limits our responsibility for claims against us for homes to which we delivered Knauf Plasterboard (Tianjin) Co. wallboard. In accordance with the agreement, an affiliate of Gebr. Knauf will fund the costs of resolving the claims, excluding legal fees. L&W Supply estimates that its gross liability for resolving pending and future claims relating to wallboard manufactured by Knauf Plasterboard (Tianjin) Co. is approximately $2.2 million.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

USG's executive compensation program is designed to attract, motivate and retain talented executives and align their interests with those of stockholders through a combination of base salary, annual and long-term incentive compensation awards, retirement and other benefits and limited perquisites. In 2011, we developed the Plan to Win, a strategic roadmap to return the Company to profitability, grow our businesses and build the value of the enterprise. Our compensation program for executive officers, including our named executive officers who are the individuals named in the Summary Compensation Table on page 38 of this proxy statement, is designed to support the Plan to Win and to align executive pay with our financial performance. As a result, our program places the greatest emphasis on performance-based incentives. Over 85% of our Chairman, President and CEO's target total 2014 compensation, and nearly 73% of the average target total 2014 compensation of our other named executive officers was performance based, and more than half is in stock-based compensation to help provide shareholder alignment:

Chairman, President & CEO 2014 Target Pay Mix	Other NEO Average 2014 Target Pay Mix
Performance-Based Compensation at risk: 85%	Performance-Based Compensation at risk: 73%

2014 Performance and Executive Compensation

In 2014, we continued to make progress on all three strategic priorities of our Plan to Win: Strengthening Our Core Businesses, Diversifying Our Earnings and Differentiating Our Products and Services Through Innovation. The annual highlights include:

- net sales of $3.7 billion, an increase of 4% compared to 2013;
- total operating profit of $162 million;
- operating profit for our Distribution segment, known as L&W Supply, of $16 million, a $10 million increase over the prior year;
- net income of approximately $37 million;
- the creation of USG Boral Building Products, or UBBP, our $1.6 billion 50/50 strategic joint ventures with Boral Limited to manufacture and distribute building products in Asia, Australasia and the Middle East with six billion square feet of plasterboard capacity, from 24 plants in 12 countries that generated $33 million in equity method income for USG over a ten-month period in 2014;

record safety and near record quality and operating efficiencies in our manufacturing and distribution businesses achieving near record levels;

the extension of our UltraLight technology via a national rollout of our new Sheetrock UltraLight Mold Tough panels;

our customers validating our efforts to provide excellent service, with USG being named Vendor of the Year in the U.S. by True Value and Do It Best and in Canada by the Home Depot, and L&W Supply being named a "Partner of Choice" by David Weekly Homes in Florida;

increasing the use of Lean Six Sigma in the corporate and manufacturing areas, leading to 225 projects completed in 2014 for a savings of more than $14 million;

conversion of the remaining $75 million of our outstanding 10% convertible senior notes into equity; and

the repayment of the remaining $59 million of our 9.75% senior notes due 2014.

Our improved operational results in 2014 reflect the aggressive actions management took during the downturn in the construction industry, including steps to lower our breakeven and improve operating results. The cost reductions we have implemented over the last several years contributed to our attainment of positive net income in 2014 for the second consecutive year. We also continued to focus on operational excellence with record or near record performance in safety, quality, customer satisfaction and operating efficiency.

Compensation for 2014 for our named executive officers reflects the improvement in our results and the achievement of key performance metrics as discussed below.

Base Salary In 2014, we increased salaries for named executive officers as well as all other salaried employees. Annual salary increases were reinstituted in 2012 following a three-year period in which annual salary increases were suspended. The increase for our Chief Executive Officer was approximately 3.7%, and the average increase for the other named executive officers was approximately 7%, which reflected two significant adjustments to ensure market competitiveness.

Annual Incentive Awards Fifty percent of annual incentive award opportunity is based on adjusted net earnings. In 2014, payment was made for this segment of the award because we met the adjusted net earnings threshold for 2014 set by the Compensation and Organization Committee. The balance of the award opportunity is based on the achievement of annual operating and financial objectives, or Focus Targets. Annual incentive awards for our named executive officers in 2014 ranged from 69.5% to 76.8% of target due to our exceeding the adjusted net earnings and Focus Target thresholds, as discussed below.

Long-Term Incentive Awards Annual equity awards granted in 2014 were comprised of market share units and performance shares. In 2013, the Committee replaced stock options and restricted stock units with market share units for our annual grant in order to more closely align pay with performance and more efficiently deliver long-term compensation to our executives using fewer shares. As a result of transitioning to market share units, the entire annual, long-term incentive award granted to an executive is now performance-based, as discussed below.

Compensation Governance

Our executive compensation practices include governance features that support our pay for performance philosophy, including

the Compensation and Organization Committee of our Board of Directors, or the Committee, is comprised solely of independent directors with whom stockholders may communicate as discussed under "Communications with Directors" on page 14 of this proxy statement;

the Compensation and Organization Committee's consultant, Towers Watson, is retained by the Committee, and the Committee has assessed the independence of Towers Watson and did not identify any conflict of interest that would prevent Towers Watson from independently representing the Committee;

the Compensation and Organization Committee has reviewed compensation-related risk with management and Towers Watson and concurs with management's conclusion that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on us;

- long-term incentive awards are subject to double-trigger vesting upon a change in control, beginning with the 2013 grants, as discussed below; and
- all Employment and Change in Control Severance Agreements entered into since 2012 do not contain provisions providing for modified tax gross-ups or additional service and age credits under our retirement plans.

These governance practices are complemented by specific compensation program elements designed to align the program with stockholder interests and encourage management not to take excessive risks, including

- stock ownership guidelines for our executive officers and non-employee directors, as described on pages 34 and 55, respectively, of this proxy statement;
- compensation recoupment, or "clawback," provisions that allow our Board of Directors to recoup excess incentive compensation paid to an executive officer if our financial statements are restated due to fraud or intentional wrongdoing of the executive officer;
- a limit on the payout under the annual Management Incentive Program to a maximum of two times the par, or target, incentive award;
- a long-term incentive program that is 100% performance-based consisting of (i) market share units that are earned based on our stock price performance over a three-year period, and (ii) performance share awards that are earned based on a comparison of our total stockholder return over a three-year vesting period to the total stockholder return for the companies in the Dow Jones U.S. Construction and Materials Index; and
- prohibitions on our executive officers engaging in speculative transactions involving our securities, including participating in hedging activities or buying or selling puts or calls and short sales.

Compensation Philosophy and Objectives

Our executive compensation philosophy is to provide a competitive total compensation package that aligns the interests of management with those of stockholders, motivates management to achieve our long-term strategic and annual operating objectives and enables us to attract and retain talented executives.

We align management's interests with those of our stockholders by using equity-based long-term incentive awards, including awards that vest only upon the achievement of performance objectives, maintaining stock ownership guidelines and restricting hedging activity. We base annual incentive awards on net earnings, as adjusted by our Compensation and Organization Committee, and on selected key operational and financial metrics.

We motivate management to achieve our strategic growth and annual operating objectives through compensation programs that reward performance. Nearly 70% of the targeted compensation opportunity for our executive officers as a group is variable based on achievement of adjusted net earnings, annual operating and financial targets, our stock price performance and total stockholder return. The annual operating and financial targets are selected to motivate management to take actions that benefit both short-term operating and long-term strategic objectives.

We attract and retain talented managers by ensuring that compensation opportunity is competitive in relation to similar positions in similar organizations. In setting compensation opportunity for our executive officers, we use the median level of compensation opportunity for a comparator group of companies as the reference point. We generally seek to set the target compensation opportunity for an individual executive officer within a band of 75% to 125% of the median based on the executive officer's performance, experience and skill. We also adjust compensation levels based on internal equity to appropriately reward the contributions of our executives and to facilitate succession planning objectives.

Committee Position on Incentives and Excessive Risk

The Committee believes that the design of our annual compensation programs, which balances salary, short-term incentives and long-term incentives, does not encourage management to take excessive risks to maximize earnings or meet performance objectives in a single year at the expense of our long-term objectives.

The annual incentive program has a mix of financial and operating objectives, a limitation on the amount of payments and a "clawback" feature described on page 24 of this proxy statement. The Long-Term Incentive Plan, or Plan, uses a variety of equity compensation awards (market share units, performance shares and restricted stock units) that have extended vesting periods and provide different incentives. It also includes a "clawback" feature, and the awards under the Plan since 2013 contain a double-trigger vesting provision. Together with our stock ownership guidelines and a prohibition on hedging and speculative transactions involving our securities, this balanced array of incentives encourages management to achieve both short-term operating and financial and long-term strategic objectives. The Committee and its consultant annually review a risk assessment of our compensation programs, and they believe that these programs do not create risks that are reasonably likely to have a material adverse effect on us.

Compensation and Organization Committee

Our executive compensation programs are overseen by the Committee. The Committee is comprised solely of independent directors, as defined by the New York Stock Exchange listing standards. The current Committee members are Richard P. Lavin (Chair), Jose Armario, Matthew Carter Jr., and Steven F. Leer. The Committee's charter charges it with various accountabilities, including

- to review and make recommendations to the Board of Directors with respect to management organization, succession and development programs, the election of corporate officers and their compensation;
- to make decisions required by a committee of the Board of Directors under all incentive compensation plans;
- to approve and report to the Board of Directors changes in salary ranges for all other major position categories and changes in retirement plans, group insurance plans, investment plans or other benefit plans and management incentive compensation or bonus plans; and
- sole authority to retain or obtain the advice of any compensation consultant or other adviser after taking into consideration the adviser's independence from management.

The Committee's charter is reviewed at least annually. The charter can be found on our website www.usg.com.

Committee Calendar and Meetings

Normally the Committee meets between four and six times a year. In 2014, the Committee held five meetings and also acted three times by unanimous written consent in lieu of a meeting. The agendas for meetings and the annual Committee calendar are developed by management in consultation with the Committee Chair. The Committee has retained an independent compensation consultant, and one of its representatives attended all Committee meetings held during 2014. The Committee periodically holds meetings or executive sessions to review matters with its compensation consultant without management present. The Committee also periodically holds meetings or executive sessions with neither its independent compensation consultant nor management present.

Management's Role in Compensation

Our Human Resources Department is responsible for the administration of our executive compensation, benefits and related programs. The Senior Vice President, Human Resources and Communications is accountable for making proposals to the Committee for changes in compensation and benefit programs at the request of either management or the Committee. The Senior Vice President, Human Resources and Communications is also the primary management contact for the Committee Chair.

Our Chairman, President and Chief Executive Officer and Senior Vice President, Human Resources and Communications usually attend Committee meetings to present matters for consideration by the Committee and to answer questions regarding those matters. Other executive officers and senior managers may attend meetings at the request of either management or the Committee to provide information and answer questions relevant to the Committee's consideration of matters presented to it.

The Chief Executive Officer recommends to the Committee any changes in compensation for executive officers (other than himself) based on his assessment of each individual's performance, contribution to our results and potential for future contributions to our success. The Committee meets in executive session without any members of management present to review the performance and compensation of the Chief Executive Officer, to evaluate compensation proposals made by management and to make decisions with respect to those proposals.

Once each year (typically in July) management provides the Committee with an overview of all compensation and benefit plans pertaining to executive officers, including the purpose and cost of the programs and the value delivered to the participants by the programs. The Committee uses this information when evaluating subsequent compensation proposals by management and in developing its own proposals for changes to executive officer compensation. The Chief Executive Officer and the Senior Vice President, Human Resources and Communications also lead an annual review for the Board of our management succession plans. This review provides the Committee and other Board members with information regarding the performance and potential of our management team that can be taken into account when executive compensation decisions are made.

Compensation Consultant

The Committee has retained Towers Watson as a compensation consultant to provide the Committee with an independent review of our executive compensation program. Towers Watson was selected by the Committee and works under the direction of the Committee Chair. The Committee has assessed the independence of Towers Watson and did not identify any conflict of interest that would prevent Towers Watson from independently representing the Committee.

Towers Watson's primary role is to provide an independent analysis of competitive market data and to assist the Committee in evaluating compensation proposals made by management. The Committee has also on occasion asked Towers Watson to assist it in developing the compensation package for our Chief Executive Officer. Towers Watson's fees for its services provided to the Committee in 2014 were $29,806.

Towers Watson provided services to management during 2014 only to advise regarding broad-based benefit plans and casualty insurance programs and to provide non-customized surveys regarding compensation of non-officer salaried employees. Its fees for those services were $130,289. At the direction of the Committee Chair, Towers Watson may meet with management and/or management's consultant to review management's proposals prior to the Committee's review. A representative of Towers Watson generally attended all the Committee meetings held in 2014. USG pays Towers Watson's fees for consulting services provided to the Committee after approval of those fees by the Committee Chair.

Management also uses consultants to provide analysis and advice with respect to executive compensation programs and practices. Management's primary advisor for compensation-related matters is Exequity, LLP. Exequity assists management in analyzing competitive market practices and benchmark data and in developing proposals for review by the Committee. It does not provide any services to USG other than executive compensation consulting. Management also contracts with Aon Hewitt to conduct an annual competitive review of our executive compensation pay practices compared to those of a comparator group of companies. The study assists management in comparing compensation levels for our executive officers to compensation levels of the comparator group. Aon Hewitt does not assist management in formulating proposals for compensation changes for executive officers. Aon Hewitt provides other services to us related to the administration of our retirement, health and welfare benefit plans.

Setting Compensation Levels Compensation and Organization Committee Annual Review

In February of each year, the Committee sets the level of each element of compensation for our executive officers. As part of this process, the Committee considers market competitiveness, current market conditions, performance for the prior year, succession plans and internal equity.

Market Competitiveness

Since 2003, management has engaged Aon Hewitt to conduct an annual Executive Compensation Competitive Review to compare compensation opportunity for our executive officers to the compensation opportunity provided for similar positions by 20-25 industrial and/or Chicago-based companies. Each executive officer's position, including the Chief Executive Officer's position, is compared to positions with similar responsibilities or at an equivalent level in this comparator group in terms of base salary, annual incentive, long-term incentive and total compensation. If there is no comparable position in the comparator group, the Committee generally sets compensation opportunity for the executive officer based on internal equity.

The review provides the Committee with market information that enables it to evaluate total compensation opportunity, the mix of fixed and performance-based compensation elements and how total compensation is divided between the various elements. The Committee uses that information to evaluate recommendations made by management with respect to compensation of our executive officers other than the Chief Executive Officer and to develop its own recommendations with respect to the compensation of the Chief Executive Officer.

We select our comparator companies from among those for which data is available in Aon Hewitt's Total Compensation Measurement data base, based on their similarity to USG in terms of industry, annual revenue, complexity of operations, business cyclicality and geographic location. They are the types of companies with which we compete for talent. For 2014, Pactiv and Cooper Industries were removed due to survey non-participation and acquisition by another company, respectively. Our peer group for 2014 was comprised of:

A.O. Smith Corporation	Fortune Brands Home & Security, Inc.	Mohawk Industries
Armstrong World Industries, Inc.	Foster Wheeler Corporation	Mueller Water Products, Inc.
Ball Corporation	Kennametal Inc.	Owens Corning Corporation
Boise Cascade LLC	Lennox International, Inc.	The Sherwin-Williams Company
BorgWarner, Inc.	Martin Marietta Materials, Inc.	The Valspar Corp.
Brunswick Corporation	Masco Corporation	Vulcan Materials Company
Dover Corporation	MeadWestvaco Corporation	W.W. Grainger, Inc.

We have designed our executive compensation packages to be market competitive in total. Our objective is to provide executive officers with a targeted total compensation opportunity generally within a band of 75% to 125% of the median of the comparator group for their individual positions. Median compensation data for our peer group is derived by using regression analysis to size adjust comparator group data. For 2014, the comparator group data was size adjusted to a revenue of $3.2 billion, which approximated our annual revenues at the time the analysis was completed.

Total compensation opportunity for each executive officer is set based on performance, experience, skill and internal equity. Executives who are new in a position may be below the median for one or more elements of compensation. To reward extraordinary accomplishments, to promote retention and succession planning objectives and/or to maintain internal equity, we may pay an element of compensation in excess of 125% of the median. In circumstances where the scope of one of our executive's position differs significantly from the scope of responsibility of similarly titled positions in the comparator group companies, the Committee may set the targeted compensation opportunity for that executive outside the 75% to 125% of median range. The Committee is comfortable with setting one or more elements of an executive's compensation opportunity outside this range because the Committee is more concerned with the competitiveness of our executive officers' total compensation opportunity than the opportunity represented by any one individual element of compensation.

Total target net compensation   base salary, target annual incentive opportunity and the grant date value of long-term incentive awards   for each of our named executive officers for 2014 was initially set as follows:

	Percentage of 2013 Median
Mr. Metcalf	108
Mr. Hilzinger	105
Mr. Ferguson	127
Mr. Griffin	94
Mr. Dannessa	127

The targeted total compensation opportunity for 2014 was set above 125% of the median for Mr. Ferguson in recognition of his strong contributions and leadership during the closing of our 50/50 joint ventures, USG Boral Building Products, or UBBP, and for Mr. Dannessa in recognition of his leadership over our innovation activities as well as his leadership throughout the creation of UBBP.

Performance

The Committee assesses the performance of the Chief Executive Officer in executive session at the February Committee meeting and makes recommendations to the Board regarding the Chief Executive Officer's compensation. The Chief Executive Officer conducts a similar assessment of the performance of the other executive officers and summarizes the results for the Committee when making his compensation recommendations to the Committee at the February Committee meeting.

The Committee's determination of our executive officers' compensation adjustments is based on its assessment of each executive officer's contribution to our overall financial results for the year and to the accomplishment of our annual operating and financial objectives as well as internal equity. Among the 2013 accomplishments considered by the Committee in making its recommendation to the Board regarding 2014 compensation levels for our named executive officers were:

- net sales of approximately $3.6 billion, an increase of approximately 11% compared to 2012;
- consolidated operating profit of $258 million, an increase of approximately 253% compared to 2012;
- we achieved net income of $47 million, our first full year of positive net income since 2007;
- operating profit of $98 million in our Ceilings segment in 2013, which was its highest operating profit ever;
- operating profit at L&W Supply, our distribution subsidiary of $6 million, its first full year of positive operating profit since 2007;
- announcement of our 50/50 strategic joint ventures, USG Boral Building Products;
- the launch of a new brand identity and tagline; and
- the conversion of $325 million of our outstanding 10% convertible senior notes into equity.

Internal Equity

The Committee also considers the level of compensation opportunity of executive officers based on its judgment of the relative importance of the responsibilities of each executive officer position to USG and each executive officer's contribution to corporate results. In addition, adjustments may be made to further our succession planning philosophy of developing and promoting talent from within USG. The Chief Executive Officer's compensation opportunity has historically been significantly higher than that of our other named executive officers based on our philosophy of paying market competitive compensation and reflects his broader accountability and the greater percentage of his total compensation that is performance-based. We do not set the compensation level of our executive officers as a multiple of the compensation of any other employee or group of employees.

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Advisory Votes Related to Named Executive Officer Compensation

At our annual meeting of stockholders held in May 2014, the compensation of our named executive officers set forth in the proxy statement for that meeting was approved, on an advisory basis, by more than 98% of the votes cast by our stockholders. At our annual meeting of stockholders held in May 2011 the recommendation of the Board of Directors to hold an advisory vote regarding the compensation of our named executive officers every three years received the support of almost two-thirds of the votes cast by our stockholders. Taking into consideration that support, the Board determined to hold future stockholder advisory votes regarding the compensation of our named executive officers every three years until the next required vote regarding that frequency in 2017. After taking into account the substantial stockholder support of the compensation described in the proxy statement for our 2014 annual meeting, the Committee did not implement changes to our executive compensation program as a result of the stockholder advisory vote held in 2014.

Elements of Total Compensation

Our total compensation program consists of the following elements:

- base salary;
- annual incentive;
- long-term incentive; and
- benefits and perquisites.

Base Salary

The starting point for determining base salaries for our executive officers is the annual Aon Hewitt Executive Compensation Competitive Review. Individual salaries for our executive officers range between approximately 100% and 118% of the median for the comparator group. Factors that warrant paying above the median include: individual performance, as assessed by the Chief Executive Officer (or in the case of the Chief Executive Officer, the Compensation and Organization Committee), experience, skills, internal equity and retention considerations.

The Committee approved salary increases for 2014 for all salaried employees, including the following increases for our named executive officers:

	Percentage Increase
Mr. Metcalf	3.7
Mr. Hilzinger	3.0
Mr. Ferguson	3.0
Mr. Griffin	10.3
Mr. Dannessa	11.6

Annual Incentive

Our annual Management Incentive Program, or Program, provides a variable reward opportunity based on net earnings, as adjusted by the Committee, and the achievement of operating and financial objectives derived from the annual operating plan. We pay annual incentive awards in the first quarter of the year following the year in which they are earned.

The target annual incentive opportunity for participants in the Program is expressed as a percentage of base salary. For 2014, the target annual incentive opportunity for executive officers ranged from 45% of base salary to 115% of base salary for our Chief Executive Officer. The amount of the target annual incentive opportunity for each of our named executive officers for 2014 is indicated under the heading "Estimated Possible Payouts Under Non-Equity Incentive Plan Awards" in the 2014 Grants of Plan-Based Awards Table on page 41 of this proxy statement.

In 2014, Mr. Metcalf's target annual incentive was increased from 110% of base salary to 115% of base salary. This change was made to appropriately reflect the scope of his accountability and to ensure the compensation opportunity provided is market competitive. Our Chief Executive Officer's annual incentive opportunity is higher than the opportunity for our other executive officers in 2014 in recognition of the broader scope of his responsibilities and impact on corporate performance, and based on market data regarding compensation of chief executive officers of the companies in our comparator group.

For 2014, the annual incentive award opportunity was comprised of the following segments that are designed to provide an incentive to maximize earnings and pursue operational excellence.

Adjusted Net Earnings: 50% of the 2014 Program target award opportunity for our executive officers was based on achievement of an adjusted net earnings target so that participants could earn a par award for this segment of the Program in 2014 if consolidated net earnings, as adjusted for incentive plan purposes, in the year were $250 million. The minimum amount of adjusted net earnings required for any payment under this segment for 2014 was $125 million.

The Committee determined that, for 2014, net earnings, as adjusted for incentive plan purposes, were $154 million. In making its determination, as provided in the Program approved by the Committee at the beginning of the year, the Committee determined that certain adjustments to net earnings were appropriate because the events were nonrecurring and non-operational in nature and the accounting effects of these items were not indicative of the performance of our named executive officers during 2014. For 2014, net earnings as reported was $37 million and was adjusted to exclude both positive and negative adjustments, as follows: $48 million in a litigation settlement charge, $90 million in long-lived asset impairment charges, $6 million in a contract termination charge related to our shipping business, $13 million in a pension settlement charge, $13 million in a gain on a sale of surplus assets, and $27 million in a gain on deconsolidation resulting from the contribution of our wholly owned subsidiaries in Asia Pacific and Australia and consolidated joint venture in Oman into UBBP. All of these adjustments were consistent with the types of adjustments allowed for under the Program. Since we reported consolidated net earnings, as adjusted by the Committee, in excess of $125 million for the year, participants received awards equal to 62% of par for this segment of the 2014 Program.

Focus Targets: 50% of the 2014 Program target award opportunity for our executive officers was based on the achievement of annual operating and financial objectives, called Focus Targets. We use broad, high impact measures such as business unit profitability, selling, general and administrative expenses, or SG&A, and manufacturing costs that are designed to promote a balanced performance between operational and financial objectives and to reward achievements that contribute to our profitability. The targets are derived from our annual planning process and are measurable and verifiable. The payout can range from zero to 200%.

The Committee approves the Focus Target minimum, par and maximum performance levels for each measure early in the year. In February of the following year, the Committee reviews the prior year's performance, including the degree of achievement of each of the Focus Targets and the degree of achievement under the adjusted net earnings target.

We designed the Program in recognition of the cyclical nature of our businesses to provide management with a strong incentive to maximize operational performance at all points of the business cycle. During peak years, corporate earnings may be driven in part by market conditions, but strong operational performance must be achieved to earn a maximum payout under the Program. Similarly, at the bottom of the cycle, when market conditions provide less opportunity, management still has strong incentive to optimize operational efficiency and productivity and to enhance our market leadership positions.

Our objectives for 2014 were centered on increasing profitability through revenue growth and cost containment. The Focus Targets for our named executive officers for 2014 were chosen to support these objectives. We believe these targets were effective because during 2014 we increased our net sales by 4% and were successful in containing wallboard costs. These achievements contributed to the performance in relation to the 2014 Focus

Targets for our named executive officers reflected in the table below, which also sets forth other information regarding those 2014 targets.

Measure	Minimum	Target	Maximum	2014 Performance	2014 Performance % of Target	Payout Earned % of Par
North American Operations Adjusted Operating Profit ($ in millions)(1)	$ 375	$ 480	$ 550	$ 381	80%	53%
L&W Supply Adjusted Operating Profit ($ in millions)(2)	$ 15	$ 23	$ 30	$ 15	64%	0%
USG Boral Building Products Adjusted Equity Income ($ in millions)(3)	$ 25	$ 33	$ 42	$ 35	107%	126%
Selling and Administrative Expense ($ in millions)(4)	$ 349	$ 337	$ 315	$ 319	105%	181%
U.S. Wallboard Cost		(5)			100%	98%

(1) North American Operating profit was $250 million for 2014 and has been adjusted to exclude the following non-operational charges: $48 million in a litigation settlement, $90 million in long-lived asset impairment charges, $6 million in a contract termination charge related to our shipping business, and $13 million in gain on sale of surplus assets.

(2) Operating profit for L&W Supply (our Distribution segment) was $16 million for 2014 and has been adjusted to exclude the following non-operational charges: a net $1 million gain, which includes a restructuring gain and reversal of litigation charges.

(3) Equity Income from USG Boral Building Products, was $33 million for 2014 and has been adjusted to exclude $2 million in restructuring expenses. In addition, the Committee used its discretion to pro-rate the target, minimum, and maximum targets, in order to reflect the fact that the USG Boral Building Products joint ventures had actual operations in 2014 for ten out of 12 months.

(4) Selling and Administrative Expense was $339 million for 2014 and has been adjusted to exclude $13 million in pension settlement expenses, $1 million in a gain due to currency adjustments and $8 million in third party commissions.

(5) We do not publicly disclose U.S. Wallboard Cost because that information constitutes confidential commercial and financial information, the disclosure of which would cause us competitive harm. The target level for this Focus Target was set at a challenging, but achievable, level.

For 2014, the named executive officers were assigned the following Focus Targets with the weightings indicated below:

	North America Operations Adjusted Operating Profit	L&W Supply Adjusted Operating Profit	USG Boral Adjusted Equity Income	SG&A	U.S. Wallboard Cost
Mr. Metcalf	10%	10%	10%	10%	10%
Mr. Hilzinger	10%	10%	10%	10%	10%
Mr. Ferguson	10%	10%	10%	10%	10%
Mr. Griffin	20%	10%		10%	10%
Mr. Dannessa	20%		20%		10%

Achievement of the Focus Target segment of the 2014 Program resulted in awards on average of approximately 89% of par for our named executive officers and 94% of par for all other executive officers. On an individual basis, the payouts ranged from approximately 77% to 92% of par for our named executive officers and approximately 47% to 122% of par for all of our other executive officers. Over the nine years ended 2014, the total payout under our annual Management Incentive Program for executive officers as a group, excluding the profitability adjustments for 2011 and 2012, has ranged from approximately 42% to 142% of par, and has averaged approximately 75% of par. The annual programs in 2011 and 2012 required that we report consolidated adjusted operating profit prior to 2014 before any awards could be earned or paid, and they included positive adjustments to the Focus Targets segment in the event such profitability was achieved during the first two years of each program.

Long-Term Incentive

The purpose of our equity-based Long-Term Incentive Plan is to motivate management to build the value of the enterprise, to align management's interests with those of our stockholders and to provide a competitive compensation opportunity that enables us to attract and retain talented employees. Certain changes implemented by the Committee in 2013, which are described below, further enhance our pay-for-performance alignment. As in 2013, the entire annual awards granted in 2014 are at risk and have a multi-year focus based on both our absolute stock price and relative performance as measured by our total stockholder return compared to certain other companies. For 2014, the annual awards consisted of market share units, or MSUs, and performance shares. However, the Plan also provides for the use of stock options, stock appreciation rights, restricted stock units, or RSUs, restricted stock, performance units and other stock and cash awards.

In February 2013, the Committee and the Board approved a change to our Long-Term Incentive Plan awards to further align executive pay and shareholder value. First, our equity award agreements historically provided for the immediate and full vesting of all awards upon the occurrence of a change in control as defined in the Plan, or single-trigger vesting. Effective with the 2013 grants, our equity award agreements now provide for vesting upon a change in control in most circumstances only if there is also a related loss of employment or diminution of duties, or double-trigger vesting.

Second, the Committee and the Board approved a new design for Long-Term Incentive Plan awards for named executive officers. In previous years, the value of the annual grants to executive officers under the Long-Term Incentive Plan was comprised of 37.5% from stock options, 37.5% from RSUs and 25% from performance shares. For the 2014 grants, similar to the 2013 grants, 75% of the value of the annual grants was delivered in the form of MSUs and 25% of the value was delivered in the form of performance shares. MSUs have several advantages compared to the combination of non-qualified stock options and RSUs, including:

- MSUs provide alignment with the interests of our stockholders by linking potential rewards more closely to changes in our enterprise value;

- the use of two vehicles (MSUs and performance shares), compared to three vehicles in the prior design, is simpler and provides a better motivational tool for participants; and

- MSUs are a more efficient tool to deliver compensation opportunity because they use fewer shares to deliver the same potential compensation opportunity.

As discussed above, at their regularly scheduled meetings in February 2014, the Committee and Board approved annual awards under the Plan for 2014. For executive officers:

- *75% of the grant date value of the total award was provided in the form of MSUs.* We used market share units to align management and stockholder interests by providing an opportunity for management to achieve meaningful levels of stock ownership, to create a strong incentive for management to grow our business, to promote retention and to provide the opportunity for competitive compensation based on stock price appreciation. The actual number of shares of common stock to be issued can range from zero to 150% of the number of MSUs awarded based on the percentage change in the price of our common stock over the applicable vesting period. If the stock price increases during the vesting period, both the value and number of shares that vests increases. If the stock price declines, both the value and number of units that are eligible to vest will be reduced. MSUs granted in 2014 will be earned according to the schedule below, generally on December 31, 2016, with a 10% appreciation in the Market Value of our common stock, as defined below, required for vesting of the target number of shares. In general, earning MSUs requires continued employment through the measurement dates.

The percentage of the target MSUs granted in 2014 that will actually vest is set forth in the following table:

Performance of Market Value on End Date compared to the Start Date	**Percentage of Target Shares Earned on December 31, 2016(1)**
More than 50% decrease in Market Value	0%
50% decrease in Market Value	50%
No change in Market Value	92%
10% increase in Market Value	100%
50% or more increase in Market Value	150%

(1) Straight-line interpolation is used to determine values between performance thresholds.

Market Value of our common stock is determined on the applicable date as set forth below:

	Start Date (Grant on February 12, 2014)	**End Date January 2017**
Market Value measurement methodology on applicable dates	Average of the closing prices of our common stock for the first fifteen trading days in January 2014	Average of the closing prices of our common stock for the first fifteen trading days in January 2017

The portion of the MSUs awarded in 2013 that were earned as of December 31, 2014 resulted in a 91% payout percentage, with the Market Value for that tranche comparing the closing prices of our common stock for the first seven trading days in February 2013 to the average of the closing prices of our common stock during the month of December 2014.

The remaining 25% of the grant date value of the total award was provided in the form of performance shares. The actual number of shares of common stock to be issued can range from zero to 200% of the number of performance shares awarded, based on a comparison of our total stockholder return over the three-year vesting period ending December 31, 2016 to the total stockholder return for the companies in the Dow Jones U.S. Construction and Materials Index. Adjustments may be made to the Index to reflect changes in the companies included in the Index during the vesting period. We use this Index because it is comprised of companies that participate in similar markets as our operating businesses and, therefore, provides an appropriate benchmark to measure the relative performance of our stock. We also use this Index in the performance graph included in our annual report on Form 10-K.

Total USG Stockholder Return Relative to Index	**Percent of Award Earned(1)**
Below 35th percentile	0%
35th percentile	35
50th percentile	100
75th percentile	150
90th percentile or above	200

(1) Straight-line interpolation is used to determine values between vesting tiers.

The performance shares granted in 2012 that were earned as of December 31, 2014 vested at 186% of target due to USG's stockholder return relative to the index performing at the 86th percentile during the three year period ending December 31, 2014.

During 2014, the Committee and Board of Directors also approved a special award of 7,500 RSUs to Mr. Ferguson in recognition of his substantial efforts in helping create the USG Boral Building Products joint ventures. One-half of this RSU award vested on the first anniversary of the grant date and the other one-half will vest on the second anniversary of the grant date or Mr. Ferguson's retirement, whichever is sooner.

Stock Ownership Guidelines

We have stock ownership guidelines for our executive officers and other senior managers. Participants are expected to own at a minimum the lesser of their salary multiple or the fixed number of shares set forth below:

Participant	Minimum No. of Shares	Multiple of Base Salary
Chairman, President and Chief Executive Officer	100,000	5X
Executive Vice President	35,000	4X
Senior Vice President	15,000	3X
Vice President	10,000	2X
Director/Subsidiary VP	3,500	1X

The guidelines were set at these levels to ensure management owns meaningful levels of stock, taking into account competitive market practice. We expect all participants to reach at least the minimum level of ownership for their position level within five years after their appointment to that position. Shares owned, performance shares that have vested and unvested restricted stock units count towards satisfaction of the guidelines. If a participant fails to meet or show sustained progress toward meeting these ownership requirements, we may reduce future long-term incentive program awards to that participant. All of our named executive officers meet or exceed their stock ownership guidelines.

Benefits and Perquisites

Broad-Based Retirement, Health and Welfare Benefits

We provide a comprehensive health and welfare package to all of our full-time employees. Our executive officers are eligible to participate in these plans on the same basis as other eligible employees. The package includes the following benefits:

Medical, Dental and Vision Plans: All participants contribute approximately 20% of the cost of the coverage for the medical plan and approximately 50% of the cost for the dental and vision plans. We do not provide any supplemental medical coverage or subsidy to any executive officer. Employees hired prior to January 1, 2002 are eligible for retiree medical coverage.

USG Corporation Investment Plan (401(k) Plan): This qualified defined contribution plan allows employees to invest up to 75% of salary and annual incentive awards (subject to the maximum level of contribution set by the Internal Revenue Service) in twelve target date funds or ten core investment alternatives. Employees can contribute on a pre-tax basis and/or a Roth after-tax basis. We match employee contributions $.25 per dollar on the first 6% of employee pay contributed.

USG Corporation Retirement Plan: For employees hired before January 1, 2011, this qualified defined benefit plan provides a pension benefit based on the participant's years of credited service in the plan and the participant's final average pay. The plan requires participants to contribute 2% of pensionable earnings toward benefits. Participants can elect early retirement, with the benefit reduced 5% for each year earlier than age 65 at retirement. Participants who have a combined number of years of age and service equaling 90 can retire at age 62 without a reduction in the benefit or can retire earlier than age 62 with a 3% reduction per year. We amended the plan to replace the final average pay formula with a cash balance formula for employees hired after December 31, 2010. The cash balance pension benefit is based on the participant's years of credited service in the plan and the participant's age. Mr. Hilzinger is the only executive with the cash balance formula.

We also provide the following plans for our more highly compensated employees, including our executive officers, that provide benefits to supplement those provided under our Investment Plan and Retirement Plan.

Supplemental Retirement Plan

Approximately 97 employees, including our executive officers, participate in the USG Corporation Supplemental Retirement Plan. This plan restores the benefits which otherwise would be delivered under the USG Corporation Retirement Plan but for the limits on pensionable compensation set by the Internal Revenue Service. The provisions of this plan mirror those of the Retirement Plan, including benefit formulas, definition of final average pay (without Internal Revenue Service limits) and the requirement for the contribution of 2% of pensionable earnings. Further information regarding our retirement plans and the present value of the qualified and supplemental pension benefits for our named executive officers appears under the heading "2014 Pension Benefits Table" beginning on page 45 of this proxy statement.

Deferred Compensation Plan

Approximately 53 employees, including one of our named executive officers, participate in the USG Corporation Deferred Compensation Plan. Due to the contribution limits set by the Internal Revenue Service applicable to the USG Corporation Investment Plan, this nonqualified plan is designed to allow highly compensated employees the opportunity to defer compensation (and thus current income tax) generally until after termination of employment with USG. We do not match deferred amounts. Those amounts are invested as directed by the participant into investment options that are similar to those of the USG Corporation Investment Plan. We are obligated to pay the deferred amounts, plus or minus any accumulated earnings or losses on those amounts, to the participants following the termination of the deferral period. Further information regarding the deferred compensation plan for our named executive officers appears under the heading "2014 Nonqualified Deferred Compensation Table" on page 48 of this proxy statement.

Perquisites and Other Benefits

We make certain perquisites and other benefits available to our executive officers as part of providing them a competitive total compensation package and to facilitate their attention to the demands of our business. Executive officers are offered a company automobile and office parking, partial reimbursement for financial planning services, personal liability insurance and executive death benefit coverage, an annual medical examination, and on a limited basis, membership in luncheon clubs. The value of these benefits is described in more detail in the table titled "Supplemental Table" on page 39 of this proxy statement.

Employment Security and Potential Post Employment Payments

We provide all of our named executive officers with two employment security arrangements an employment agreement and a change-in-control severance agreement. These agreements help us to attract and retain talented executives, protect our intellectual property, reduce the potential for employment litigation and avoid the loss of executives to our competitors and other corporations.

Employment Agreements

We provide these agreements to assist in attracting and retaining executives, to protect our assets and intellectual property and to reduce the potential for litigation related to termination of employment. By setting the terms for the involuntary termination of an executive officer in advance of the termination, these agreements facilitate the Board's and the Chief Executive Officer's ability to effectuate smooth transitions in the executive team. The employment agreements generally provide named executive officers with two years of salary and bonus and lump sum payments equal to the cost of continued medical benefits for 18 months and, except for Mr. Hilzinger's agreement and any executive officers appointed thereafter, the present value of providing an additional two years of service and two years of age credit under our retirement plans. The agreements provide these benefits only upon an involuntary termination of the named executive officer's employment without "cause." We established these benefit levels after reviewing competitive market practices for employment agreements used by similar types of organizations for executives at similar levels.

We believe that the level of benefits provided by our agreements is in line with market practice for those companies that use employment agreements. Consistent with our paying two years' compensation as severance, the agreements include a requirement that after termination of employment, the executive officer will not compete with us for two years or solicit our employees for three years. Executive officers are required to sign a release waiving potential claims against us before any payments are made.

Change-In-Control Severance Agreements

We provide these agreements to promote neutrality of our named executive officers during potential change in control transactions so they will make the best decision for our stockholders, to retain the executive team in the event of a potential change in control transaction, to protect our intellectual property and to reduce the potential for litigation related to termination of employment. The agreements in effect for our named executive officers provide three years (for Messrs. Metcalf and Ferguson) or two years (for Messrs. Hilzinger, Griffin and Dannessa) of salary and bonus and lump sum payments equal to the cost of continued medical benefits for 18 months and the present value of providing an additional three years of service and three years of age credit (for Messrs. Metcalf and Ferguson) or an additional two years of service and two years of age credit (for Messrs. Griffin and Dannessa) under our retirement plans. Mr. Hilzinger's agreement does not provide for any payment for additional service or age credit.

The agreements provide these benefits only in the event that there is both a change in control and an involuntary termination of the named executive officer's employment by the Company without "cause" or by the executive for "good reason." The definition of change in control is the same as in the Plan. Good reason includes, among other things, a reduction in salary or a material diminution in duties, responsibilities or total compensation. The agreements, other than Mr. Hilzinger's, include a "modified gross up" provision. If the total amounts payable to the executive officer would constitute a "parachute payment" resulting in the imposition of an excise tax, the payment will be reduced to the extent necessary to avoid being a parachute payment, unless the reduction would be more than 10% of the total amounts payable. In that case, the payment will be increased to provide the executive officer a net after tax amount equal to the value of the excise tax imposed. Mr. Hilzinger's agreement includes an "alternative cap" provision which provides that if the total amounts payable would constitute a "parachute payment" resulting in the imposition of an excise tax, the payment will be reduced to the extent necessary to avoid being a parachute payment, unless Mr. Hilzinger would receive a better after-tax benefit if the payment were not reduced and he paid the resulting excise tax directly.

As with our employment agreements, we established these benefits after reviewing competitive market practices for change in control agreements used by similar types of organizations for similar purposes. We believe that the level of benefits provided by our change in control severance agreements is also in line with market practice for organizations that use change in control agreements. In consideration of our paying severance compensation, these agreements include a requirement that after termination of employment, the named executive officer will not compete with us for one year or solicit our employees for three years (two years for Messrs. Hilzinger, Griffin and Dannessa). Executive officers are required to sign a release waiving potential claims against us before any payments are made under these agreements. Further information regarding the benefits our current named executive officers could receive under these agreements is provided in the tables titled "Potential Payments Upon Termination or Change in Control" beginning on page 49 of this proxy statement.

Tax and Accounting Implications

Management and the Committee reviewed and considered the deductibility of payments under our executive compensation program under Internal Revenue Code Section 162(m) and the regulations promulgated thereunder, which generally limit deductibility of compensation to $1 million for certain employees. However the $1 million limit does not apply to performance-based compensation that is paid pursuant to shareholder-approved plans and is approved by directors who qualify as "outside directors" within the meaning of Internal Revenue Code Section 162(m).

The Compensation Committee generally structures and administers executive compensation plans and arrangements so that they will not be subject to the 162(m) deduction limit. However, to maintain flexibility in structuring appropriate compensation programs in the interest of shareholders, the Committee may from time to time approve payments that cannot be deducted. For example, restricted stock unit awards made to certain employees may not be deductible for federal income tax purposes, depending on the amount and type of other compensation these employees receive.

Management and the Committee reviewed all executive compensation programs and arrangements under Internal Revenue Code Section 409A, related to the deferral of compensation, and the current and future year accounting impact of the 2014 Plan awards when it considered and approved those awards.

COMPENSATION AND ORGANIZATION COMMITTEE REPORT

USG's Compensation and Organization Committee has reviewed and discussed the Compensation Discussion and Analysis section with our management. Based on that review and discussion, the Compensation and Organization Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION AND ORGANIZATION COMMITTEE

Richard P. Lavin, Chair
Jose Armario
Matthew Carter Jr.
Steven F. Leer

2014 SUMMARY COMPENSATION TABLE

The Summary Compensation Table below reflects total compensation earned by or paid to our principal executive and financial officers and our other most highly compensated executive officers for the last three years. Information is provided for Mr. Dannessa only for 2014 and 2013 because he was not a named executive officer in 2012.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
James S. Metcalf,	2014	$ 964,167		$ 5,251,740		$ 856,704	$ 4,890,717	$ 77,337	$ 12,040,665
Chairman, President and	2013	925,000		4,299,440		1,465,613	2,069,325	78,144	8,837,522
Chief Executive Officer	2012	866,667		3,000,337	$ 1,145,925	1,644,131	1,008,828	27,224	7,693,112
Matthew F. Hilzinger,	2014	554,292		1,137,879		320,832	82,372	40,644	2,136,019
Executive Vice President	2013	538,125		1,018,283		539,398	47,589	34,294	2,177,689
and Chief Financial Officer	2012	371,875		1,651,935	1,008,625	370,440	21,366	23,770	3,448,011
Stanley L. Ferguson	2014	472,287		1,202,527		255,145	931,203	47,048	2,908,210
Executive Vice President,	2013	457,767		820,291		459,568		38,978	1,776,604
General Counsel and Secretary	2012	440,833		583,395	222,817	599,055	736,112	41,676	2,623,888
Christopher R. Griffin,	2014	580,833		1,517,173		307,538	805,889	25,450	3,236,883
Executive Vice President,	2013	462,917		1,192,379		476,009	271,016	41,018	2,443,339
Chief Operating Officer	2012	395,833		1,122,307	238,737	494,235	208,976	45,312	2,505,400
Dominic A. Dannessa,	2014	383,240		816,957		179,244	1,334,214	50,882	2,764,537
Senior Vice President and Chief Technology Officer	2013	347,200		678,902		309,464	282,134	45,608	1,663,308

(1) The amounts shown in this column reflect the aggregate grant date fair values computed in accordance with FASB ASC Topic 718 for market share units, or MSUs, and performance shares granted under our Long-Term Incentive Plan and, for Mr. Ferguson in 2014, include the value of special awards of restricted stock units, or RSUs, granted in connection with the close of our 50/50 joint ventures with Boral Limited, USG Boral Building Products. However, for purposes of this table, estimates of forfeitures have been removed. A Monte Carlo simulation has been chosen for both the MSU and performance share valuations. The assumptions used in valuing the MSUs and performance shares are described in Note 11 to our consolidated financial statements included in our 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2015. The grant date fair value for each RSU is equal to the closing market price of our common stock on the date of grant.

(2) We did not grant any stock options in 2014 or 2013. The amounts shown in this column reflect the aggregate grant date fair values computed in accordance with FASB ASC Topic 718 for nonqualified stock options to purchase our common stock granted in 2012 under our Long-Term Incentive Plan. However, for purposes of this table, estimates of forfeitures have been removed. A Black-Scholes valuation approach has been chosen for these calculations. The assumptions used in valuing these non-qualified stock

options are described in Note 11 to our consolidated financial statements included in our 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2015.

(3)

The amounts shown in this column include payments under our annual Management Incentive Program for services performed in the year indicated, provided that the amount shown for 2012 includes payments under our program for services performed in 2011 and 2012, because the program for each of these years contained a provision that no awards could be earned or paid until we reported an annual consolidated adjusted operating profit, which was not satisfied until 2012.

(4)

The amounts in this column reflect the aggregate change in the actuarial present value of accumulated benefits under our defined benefit pension plans from December 31, 2013 through December 31, 2014, the plan measurement dates used for financial statement reporting purposes. The named executive officers had no above-market or preferential earnings on deferred compensation. No amount is reflected in this column for Mr. Ferguson for 2013 because the aggregate change in the actual present value of his accumulated benefit in such year was negative $36,375. The increase in Pension Value from 2013 to 2014 is primarily attributable to the decrease in the discount rates and lump sum interest rates.

(5)

The amounts in this column reflect all other compensation for 2014 that could not properly be reported in any other column. Details regarding all other compensation components are provided in the supplemental table below. Several of the benefits listed in the table result in imputed income to the named executive officer. In the case of company provided automobiles, the amounts shown reflect the cost attributed to personal use of the vehicle by the named executive officer, including the cost of lease payments, fuel, insurance, license and title, maintenance and repairs, less any gain we realized upon sale of the vehicle. We also provide additional executive death and disability benefit coverage to our executive officers on a self-insured basis. There is a small incremental cost to us for providing this additional coverage. From time to time, executive officers may use our tickets to sporting venues for personal use. We believe there is no incremental cost associated with our executive officers using our tickets to sporting venues for personal use because the tickets are purchased in advance for the entire season with the intention that they be used for business purposes, they cannot be returned for a refund if they are unused and use for personal purposes occurs only if the tickets have not been reserved for use for a business purpose. No value is attributed in the 2014 Summary Compensation Table to personal benefits for which we incur no incremental cost.

SUPPLEMENTAL TABLE

Item	James S. Metcalf	Matthew F. Hilzinger	Stanley L. Ferguson	Christopher R. Griffin	Dominic A. Dannessa
Financial Planning Services	$ 16,000	$ 8,588	$ 11,052	$ 10,529	$ 12,408
Personal Liability Insurance	535	535	535	535	535
Executive Death and Disability Coverage	637	438	399	454	358
Executive Health Program	4,200		1,705	2,950	3,750
Luncheon Club	3,810				2,730
Company Automobile (personal use)	43,580	22,508	24,782	2,407	22,526
Parking	4,200	4,200	4,200	4,200	4,200
Investment Plan Matching Contributions	4,375	4,375	4,375	4,375	4,375
Total	$ 77,337	$ 40,644	$ 47,048	$ 25,450	$ 50,882

Long-Term Incentive Plan

In February 2014, awards of market share units, or MSUs, and performance shares were made under our Long-Term Incentive Plan, or LTIP, to all of our executive officers at such time. In February 2014, an award of restricted stock units, or RSUs, was made to Mr. Ferguson in connection with the close of our 50/50 joint ventures with Boral Limited, USG Boral Building Products.

The number of MSUs earned will vary from zero to 150% of target depending on the actual performance of our stock price. The MSUs will generally vest on December 31, 2016, with a 10% appreciation in the Market Value (as defined above in the Compensation Discussion and Analysis) of our common stock required for vesting of the target number of shares of common stock. In the case of termination of employment due to death, disability or retirement during the performance period, vesting will be pro-rated based on the number of full months employed during 2014 in accordance with the MSU award agreements at the end of the performance period. The MSUs will vest upon a change in control in most circumstances only if there is also a related loss of employment or diminution of duties. Each MSU earned will be settled in common stock.

The performance shares generally vest after a three-year performance period based on our total stockholder return relative to the performance of the Dow Jones U.S. Construction and Materials Index for the three-year period, with adjustments to the Index to reflect changes in the companies included in the Index during the performance period. The number of performance shares earned will vary from zero to 200% of the number of performance shares awarded depending on that relative performance. Vesting will be pro-rated based on the number of full months employed during the performance period in the event of death, disability or retirement, and pro-rated awards will be paid at the end of the three-year performance period. The performance shares will vest upon a change in control in most circumstances only if there is also a related loss of employment or diminution of duties. Each performance share earned will be settled in a share of our common stock. Expense is recognized over the period from the grant date to the end of the performance period.

The RSUs granted to Mr. Ferguson will vest 50% on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant. The RSUs may vest earlier in the event of death, disability, or retirement. The RSUs will vest upon a change in control in most circumstances only if there is also a related loss of employment or diminution of duties. Expense is generally recognized over the vesting period of the award unless accelerated due to retirement eligibility.

Employment Agreements

We have entered into an employment agreement with each of our executive officers. These agreements renew for successive one-year terms effective January 1 of each year unless 120 days' notice of termination is provided before expiration of the current term.

The employment agreements provide for minimum annual salaries, with the minimum annual salaries increased as approved by the Board of Directors, and for participation in all incentive and benefit programs made available to similarly situated executives. They provide that an executive officer who is terminated without cause will be entitled to a lump sum severance payment equal to the sum of (1) two times the executive officer's base salary and target annual incentive award, (2) the cost of continuing benefits for the executive officer for a period of 18 months and (3) except for Mr. Hilzinger's agreement, the present value of the additional retirement benefits the executive officer would have been entitled to receive if he or she had an additional two years of age and two years of credited service under our retirement plans.

The employment agreements also include a requirement that after termination of employment the executive officer will not compete with us for two years or solicit our employees for three years. Executive officers are required to sign a release waiving potential claims against us before any severance payments are made to them under the employment agreements.

2014 GRANTS OF PLAN-BASED AWARDS TABLE

The 2014 Grants of Plan-Based Awards Table below reflects equity and non-equity incentive plan awards made to each of the named executive officers during 2014. Equity awards include market share units (MSUs), performance shares (PS) and restricted stock units (RSUs).

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)(4)			Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Stock Option Awards
Name	**Award Type**	**Grant Date(1)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)(5)**	**($)(6)**
James S. Metcalf	MSU	02/12/2014				43,560	87,119	130,679		$ 3,501,313
	PS	02/12/2014				13,187	37,676	75,352		1,750,427
	MIP			$ 1,115,500	$ 2,231,000					
Matthew F. Hilzinger	MSU	02/12/2014				9,438	18,876	28,314		758,626
	PS	02/12/2014				2,857	8,163	16,326		379,253
	MIP			417,750	835,500					
Stanley L. Ferguson	MSU	02/12/2014				7,744	15,488	23,232		622,463
	RSU	02/27/2014							7,500	268,875
	PS	02/12/2014				2,344	6,698	13,396		311,189
	MIP			332,220	664,440					
Christopher R. Griffin	MSU	02/12/2014				12,584	25,168	37,752		1,011,502
	PS	02/12/2014				3,809	10,884	21,768		505,671
	MIP			442,500	885,000					
Dominic A. Dannessa	MSU	02/12/2014				6,776	13,552	20,328		544,655
	PS	02/12/2014				2,051	5,861	11,722		272,302
	MIP			234,000	468,000					

(1) The grant date is the date on which the equity awards were approved by our Board of Directors, except for Mr. Ferguson's special grant of RSUs, which was approved by the Board on February 12, 2014, with a grant date of February 27, 2014 to coincide with consummation of our 50/50 joint ventures with Boral Limited, USG Boral Building Products.

(2) The amounts in the Target column reflect the par amounts payable under the 2014 MIP. The 2014 MIP is described under "Annual Incentive" in the Compensation Discussion and Analysis beginning on page 29 of this proxy statement. There was no threshold-level payout under the 2014 MIP. The maximum payout under the 2014 MIP was 200% of par. Total payments to any one individual under the 2014 MIP may not exceed $4 million.

(3) MSUs were granted to each named executive officer under our Long-Term Incentive Plan. The amount of common stock to be issued in respect of the MSUs can range from zero to 150% of target based on the percentage change in the price of our common stock over the applicable vesting period. The MSUs will generally vest on December 31, 2016, with a 10% appreciation in the Market Value (as defined above in the Compensation Discussion and Analysis) of our common stock required for vesting of the target number of shares of common stock. With respect to the MSUs, the amounts in the Threshold column reflect the amount of common stock to be awarded upon a 50% decrease in Market Value, the Target column reflects the amount of common stock to be awarded upon achievement of a 10% appreciation in the Market Value, and the amounts in the Maximum column reflect the amount of common stock to be awarded upon a 50% or more increase in Market Value. In the case of termination of employment due to death, disability or retirement during the performance period, vesting will be pro-rated based on the number of full months employed during 2014 in accordance with the MSU award agreements at the end of the performance period. The MSUs will vest upon a change in control in most circumstances only if there is also a related loss of employment or diminution of duties. Each MSU earned will be settled in common stock.

(4) Performance shares were granted to each named executive officer under our Long-Term Incentive Plan. With respect to the performance shares, the amounts in the Target column reflect the number awarded to the named executive officers on the grant date. The performance shares generally vest after a three-year performance period ending December 31, 2016 based on our total stockholder return relative to the total stockholder return of the companies in the Dow Jones U.S. Construction and Materials Index for the performance period, with adjustments to the Index to reflect changes in the companies included in the Index for the performance period. The number of performance shares earned will vary from zero to 200% of the number of performance shares awarded depending on that relative performance. The amounts in the Threshold column reflect the number of performance shares that will vest if our total stockholder return is at the 35th percentile of the total stockholder return of the Index companies, and the amounts in the Maximum column reflect the number of performance shares that will vest if our total stockholder return is at or above the 90th percentile of the total stockholder return of those companies. Vesting will be pro-rated based on the number of full months employed during the performance period in the case of death, disability or retirement, and pro-rated awards will be paid at the end of the three-year performance period. The performance shares will vest upon a change in control in most circumstances only if there is also a related loss of employment or diminution of duties. Each performance share earned will be settled in a share of our common stock.

(5) The amount in this column reflects the number of RSUs awarded to Mr. Ferguson on the grant date. The RSUs vested 50% on February 27, 2015, and 50% will vest on February 27, 2016 or Mr. Ferguson's retirement, whichever is earlier. The RSUs may vest earlier in the event of death, disability, or retirement. The RSUs will vest upon a change in control in most circumstances only if there is also a related loss of employment or diminution of duties.

(6) The amounts in this column reflect the aggregate grant date fair value of the equity awards granted computed in accordance with FASB ASC Topic 718. The assumptions used in valuing the MSUs and performance shares are described in Note 11 to our consolidated financial statements included in our 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2015. The RSU awards portion is calculated using the closing stock price on the date of grant multiplied by the number of shares underlying the units.

2014 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The 2014 Outstanding Equity Awards At Fiscal Year-End Table below reflects options and other equity awards held by each of the named executive officers at December 31, 2014. Other equity awards include market share units (MSUs), performance shares (PS) and restricted stock units (RSUs).

	Option Awards					Stock Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Stock Award Type and Year of Award	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(5)
James S. Metcalf	28,950			$ 46.17	8/08/2016					
	14,553			49.61	3/23/2017					
	25,680			34.67	2/13/2018					
	50,000			6.86	2/11/2019					
	44,386			11.98	2/10/2020					
	27,712	10,917		18.99	2/09/2021					
	40,374	45,640		14.76	2/08/2022					