USG CORP
Form DEF 14A
March 29, 2018
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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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
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):

No fee required.
Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

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NOTICE OF 2018 ANNUAL MEETING & PROXY STATEMENT

KEY SECTIONS

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USG Corporation
550 West Adams Street
Chicago, Illinois 60661

Founded in 1902
March 29, 2018

Dear Fellow Stockholder:

It is a pleasure to invite you to the 2018 USG Corporation annual meeting of stockholders. The meeting will be held at 9:00 a.m., Chicago time, on Wednesday, May 9, 2018 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.

2017 was a solid year for USG Corporation. Our Company delivered strong operational performance, introduced several new products to the market and maintained a high level of service to our customers – enabling us to grow revenue faster than the industry.

Over a century ago, we changed the construction industry with the introduction of USG Sheetrock® Brand Gypsum Panels. We celebrated the 100th anniversary of the Sheetrock® Brand in 2017, which provided the backdrop to reinforce our commitment to doing what we do best – providing our customers with high-quality, technologically-advanced products that help them overcome their most pressing challenges. Today, these challenges include greater sustainability requirements, faster construction and higher-performing materials.

We made a number of strategic decisions over the past two years that improve our value proposition and our future growth trajectory. We divested our distribution business, L&W Supply, emphasized our manufacturing leadership and aligned our organizational model to further increase customer focus.

The sale of L&W Supply eliminated channel conflict and created the opportunity to build stronger, deeper relationships with our customers. It accelerated the restoration of our balance sheet and enabled us to expand technology-driven investments in our manufacturing operations. These investments further improve our production capabilities and are a key component of our commitment to providing our customers the industry's most innovative construction solutions. Advanced Manufacturing – a strategic investment to reduce costs and manufacture higher-quality products – and the introduction of Lean Management are essential to our overarching customer focus.

The strategy of innovation that started more than 100 years ago continues and in 2017 we continued delivering innovative products that our customers demand, such as USG Sheetrock® Brand EcoSmart Panels, Ensemble™ Monolithic Acoustical Ceiling System and Securock® ExoAir® 430 Air Barrier System. USG's research and development team continues to advance numerous new products toward commercialization.

The development and refinement of our strategy has been executed by our President and Chief Executive Officer, Jennifer Scanlon. On behalf of the Board of Directors, I want to thank Jenny for her leadership in her first full year as CEO.

USG is driving industry innovation and building a great future for its stockholders, employees and customers. Thank you for your confidence and your continued investment in USG.

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. If you hold shares through a broker (i.e., in street name), you have the right to direct your broker how to vote your shares. **In the absence of specific voting instructions from you, brokers may not vote your shares on any matter other than the ratification of the appointment of our auditors. Please contact your broker directly if you have questions about how to provide such instructions.**

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

USG Corporation
550 West Adams Street
Chicago, Illinois 60661

Founded in 1902
March 29, 2018

Dear Fellow Stockholder:

I began my role as President and CEO of USG with several significant advantages: a terrific management team and workforce; a business portfolio focused on manufacturing the highest-quality building materials; a pipeline of innovative products to solve our customers' biggest challenges; and the Company's strongest balance sheet in many years.

These strengths underpin our solid foundation as a leading manufacturer of building products and innovative solutions around the world. We built upon this foundation in 2017 by re-aligning our operational model into four divisions: Gypsum, Performance Materials, Ceilings and USG Boral. Our restructuring puts our operations closer to our customers and allows us to better serve all their needs.

At the start of 2017, I set five operating priorities for our company: Put Customers First, Drive Top Line Growth, Improve Profitability, Implement Advanced Manufacturing and Increase Employee Engagement. In particular, I would like to highlight several significant events from 2017:

- We put customers first by executing a smooth transition of our formerly-owned L&W Supply to an independent customer and strengthened all customer relationships in the process.
- We drove top line growth by increasing USG Corporation's net sales by 6 percent to $3.2 billion and U.S. wallboard volume by 6 percent.
- We acquired Ceilings Plus, a noteworthy addition to USG that broadens our product portfolio in the high-growth specialty ceilings market.
- We continued our Advanced Manufacturing program across the Company, which is on pace to deliver expected 2018 benefits.

The year was also marked by a series of natural disasters that impacted our communities. I am especially proud of how the entire USG team responded to the devastating events in Florida, Texas, Mexico and the Caribbean. Our employees went to extraordinary lengths, providing the products customers needed when and where they needed them, and enabling communities to begin the rebuilding process quickly.

Finally, our improved capital structure allowed us to re-purchase $184 million in USG stock during 2017. Our stockholders should expect to continue to benefit from the dedication and hard work put forth by all of our employees, who make me proud to lead this incredible organization.

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NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

WHEN

Wednesday, May 9, 2018 at 9:00 a.m., Chicago Time

WHERE

USG Corporate Headquarters
550 West Adams Street
Chicago, Illinois 60661-3676

WHO CAN VOTE

Only stockholders of record at the close of business on March 12, 2018 will be entitled to vote at the annual meeting.

ITEMS OF BUSINESS

1. to elect four directors for a three-year term;
2. to ratify the Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accountants for the fiscal year ending December 31, 2018;
3. to approve, by advisory vote, the compensation of our named executive officers; and
4. to transact any other business that may properly come before the meeting or any adjournment or postponement thereof.

YOUR VOTE IS IMPORTANT

Brokers may not vote your shares on any of the matters being presented at the annual meeting, other than the ratification of the appointment of our independent auditor, in the absence of specific voting instructions from you. Please contact your broker directly if you have questions about how to provide such instructions. 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.

Even if you plan to attend the meeting, please vote as soon as possible using one of the following methods:

By Telephone: In the U.S. or Canada, you can vote your shares toll-free by calling 1-800-690-6903.

By Internet: You can vote your shares online at **www.proxyvote.com**

By Mail: You can vote by mail by completing, dating, and signing your proxy card or voting instruction form and returning it in the postage-paid envelope.

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Meeting Admissions:

An admission ticket (or other proof of stock ownership) and a form of photo identification will be required for admission to the annual meeting. In addition, if you are not a stockholder of record but hold shares through a broker, bank or other nominee (i.e., in street name), you will be required to provide proof of beneficial ownership as of the Record Date. See “Annual Meeting Information” beginning on page 57 for details.

Date of Mailing:

This proxy statement and the accompanying proxy were first made available to our stockholders on or about March 29, 2018.

By order of the Board of Directors,

Michelle M. Warner
Senior Vice President, General Counsel
and Corporate Secretary
March 29, 2018

Important Notice Regarding the Availability of the Proxy Materials for the Stockholder Meeting to be held on May 9, 2018

This proxy statement and our 2017 annual report on Form 10-K are available at www.proxyvote.com.

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SUMMARY OF 2018 PROXY STATEMENT

This summary highlights selected information in this Proxy Statement and does not contain all of the information that you should consider in deciding how to vote. Please read the complete proxy statement carefully before voting.

ANNUAL MEETING INFORMATION

Time and Date	Location	Record Date
9:00 a.m., Chicago time, on Wednesday, May 9, 2018	USG Corporation Headquarters 550 West Adams Street Chicago, Illinois 60661-3676	March 12, 2018

AGENDA AND VOTING RECOMMENDATIONS

Proposal	Board Recommendation	Page
Election of Four Directors	FOR each nominee	11
Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountants for 2018	FOR	27
Say-on-Pay: Advisory vote on compensation of our named executive officers	FOR	30

2017 BUSINESS HIGHLIGHTS

RETURNED $184 million to stockholders through our share repurchase program

INVESTED in our Advanced Manufacturing initiative, which is on pace to deliver expected 2018 benefits

ACQUIRED Ceilings Plus, a leading manufacturer of specialty ceilings products, enhancing our presence in the high-growth Specialty Ceilings market

GENERATED $59 million in equity method income from USG Boral Building Products, or USG Boral, our 50/50 joint ventures

INCREASED net sales by 6% and executed the transition of L&W Supply in an orderly manner that enhanced relationships with all customers

REALIGNED our operating structure to focus on the customer and best execute our strategic plan

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PROPOSAL 1

ELECTION OF DIRECTORS

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

See **page 13** for further information about our director nominees.

Name	Director Since	Independent	Position	Other Public Directorships	USG Board Committees
Jose Armario	January 2007		Retired Executive Vice President of Worldwide Supply Chain, Development and Franchising of McDonald's Corporation	Avon Products, Inc.	Audit and Compensation and Organization
Dana S. Cho	New director nominee		Partner and Managing Director of IDEO LP	None	If elected, the Board expects to appoint Ms. Cho to the Governance Committee
Gretchen R. Haggerty	May 2011		Retired Executive Vice President and Chief Financial Officer of United States Steel Corporation	Johnson Controls International plc and Teleflex Incorporated	Audit
William H. Hernandez	September 2009		Retired Senior Vice President, Finance and Chief Financial Officer of PPG Industries, Inc.	Albemarle Corporation and Northrop Grumman Corporation	Audit (Chair)

RECENT BOARD DEVELOPMENTS

Increased Board Size	As part of the Board's review of the skills and characteristics required of our directors and the current needs of our Company, the size of our Board has been increased from nine to ten members.
New Director Nominee	Following the increase in its size, the Board nominated Dana S. Cho to stand for election at the annual meeting to fill the resulting vacancy. Our Board believes that Ms. Cho will bring a new perspective, background, business experience and diversity to enhance, and make a significant contribution to, the Board and our Company.

GOVERNANCE HIGHLIGHTS

Our Company is committed to good corporate governance, which promotes the long-term interests of stockholders, strengthens Board and management accountability and helps build public trust.

Independence	We require that at least 80% of our Board consist of independent directors Eight of our nine current directors, as well as Ms. Cho, the nominee for election at the annual meeting who is not currently a director, are independent Our Non-Executive Chairman is an independent director Our CEO is the only management director All of our Board committees are comprised of only independent directors and have the ability to hire third-party advisors
Executive Sessions	The independent directors regularly meet in executive sessions The Non-Executive Chairman presides at executive sessions of the independent directors
Board Oversight of Risk Management	Our Audit Committee annually reviews our guidelines and policies that govern the process by which we assess and manage our exposure to risk Our Compensation and Organization Committee reviews the annual compensation risk assessment and retains an independent compensation consultant We have recoupment or "clawback" provisions to recover executive short-term and long-term incentive pay
Stock Ownership Requirements	Our non-employee directors, executive officers and other senior managers are subject to minimum stock ownership requirements designed to align their interests with those of stockholders
Investor Outreach	We hosted our inaugural Investor Day in March 2018 during which members of our management team provided an overview of our strategy, key business and product initiatives and market and financial outlook and responded to questions from investors

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PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2018

The Board and the Audit Committee recommend a vote **FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountants for 2018.

See **page 27** for further information.

In accordance with its charter, the Audit Committee has appointed Deloitte & Touche LLP as our independent registered public accountants for 2018. The Board and the Audit Committee request that stockholders ratify this appointment. If stockholders do not ratify the appointment, the Audit Committee will consider whether it should appoint another independent registered public accounting firm. Deloitte & Touche LLP has audited our financial statements since 2002.

PROPOSAL 3

SAY-ON-PAY: ADVISORY VOTE REGARDING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Board recommends a vote **FOR** the advisory vote approving the compensation of our named executive officers.

See **page 30** for further information about our executive compensation program.

We are asking our stockholders to approve, on an advisory basis, the compensation of our named executive officers ("say-on-pay") as described in the Compensation Discussion and Analysis section beginning on page 31 and the Compensation Tables section beginning on page 43. Our compensation program is designed to attract, motivate, engage and retain talented executives and align their interests with those of our stockholders.

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EXECUTIVE COMPENSATION HIGHLIGHTS

The Board and Compensation and Organization Committee spend a considerable amount of time on executive compensation and succession planning. Our executive compensation program is designed to attract, motivate, engage and retain talented executives and align their interests with those of our stockholders. We believe these programs are working effectively, as reflected by the stockholder advisory vote with over 97% support at last year's annual meeting. The Board also recommended at last year's annual meeting, and subsequently approved based on the recommendation of more than 99% of our stockholders, that we hold a say-on-pay advisory vote every year.

Our compensation program for executive officers, including our named executive officers, is structured to drive the achievement of financial and operating objectives while building the long-term value of our enterprise. We use a combination of base salary, annual and long-term incentive awards, retirement and other benefits and limited perquisites to link executive pay with financial and operating objectives set by the Committee. Annual incentive awards for our named executive officers in 2017 ranged from 49.3% to 56.8% of target because we fell short of our adjusted net earnings target payout as well as the target payout for certain of our Focus Targets, as discussed in the Compensation Discussion and Analysis section beginning on page 31. The long-term incentive awards that vested in 2017 paid out at 133% for market share units due to our stock price increasing by more than 37% over the measurement period, and 0% for performance shares due to the fact that total stockholder return compared to other companies in the Dow Jones U.S. Construction and Materials Index did not meet the minimum performance criteria.

The difference in the vesting results for the market share units and performance shares underscores that the design of our Long-Term Incentive Plan requires a balanced performance. Both absolute and relative stock performance are required for named executive officers to achieve the highest level of compensation under this plan. Our executive compensation program places the greatest emphasis on performance-based incentives as shown below.

2017 TARGET PAY MIX FOR OUR CEO

16%	**17%**	**67%**
Base Salary	Annual Incentive	Long-Term Incentive

84% Performance Based

2017 AVERAGE TARGET PAY MIX FOR OUR OTHER NEOs(1)

28%	**20%**	**52%**
Base Salary	Annual Incentive	Long-Term Incentive

72% Performance Based

(1) Excluding any special grants.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

PROPOSAL 1

ELECTION OF DIRECTORS
The Board recommends a vote **FOR** the election of each of the four nominees for director.

See **page 13** for further information about our director nominees.

Our Board currently consists of nine directors divided into three classes, with each class elected for a three-year term. As part of the Board's review of the skills and characteristics required of our directors and the current needs of our Company, the size of our Board has been increased from nine to ten members and the Board nominated Dana S. Cho to stand for election at the annual meeting to fill the resulting vacancy. Our Board believes that Ms. Cho will bring a new perspective, background, business experience and diversity to enhance, and make a significant contribution to, the Board and our Company. Four nominees therefore comprise the class of directors to be elected at the annual meeting. The other two classes will be elected in 2019 and 2020.

The four 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 (i) reduce the size of the Board to eliminate that position, (ii) leave the position vacant until a later date, or (iii) 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.

BOARD OF DIRECTORS

While the Governance Committee believes that the Board is currently well-balanced and able to address our Company's needs, the addition of Ms. Cho will increase the Board's diversity of thought and prepare the Company for future growth and innovation. As evidenced by the biographical information provided below, our current directors and Ms. Cho have significant experience in chief executive or other senior level operating, financial, product development and international management positions. In addition, a majority of our current directors have experience in cyclical businesses, which we believe will help the Board assist in management's development and implementation of our growth strategies throughout the cycle. The current directors also have a mix of extensive familiarity with us and our industry, which provides them with a longer-term perspective about strategic, operational and financial issues associated with our business.

Ms. Cho's innovation and architectural background also provide the Board with a fresh perspective in her areas of expertise.

All of our existing directors currently serve as a director of other public companies, which provides them with diverse experiences that can enhance their contribution to our Board.

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. Also discussed below are specific experience, qualifications, attributes and skills of our current directors and Ms. Cho 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 the annual meeting.

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CURRENT DIRECTORS AND MS. CHO

Diversity **Age** **Tenure**

COLLECTIVE SKILLS MATRIX

	Jose Armario	Thomas A. Burke	Matthew Carter, Jr.	Dana S. Cho	Gretchen R. Haggerty	William H. Hernandez	Brian A. Kenney	Richard P. Lavin	Steven F. Leer	Jennifer F. Scanlon
Financial/ Accounting										
Operations										
R&D/ Innovation										
IT										
International Business										
Engineering										
Sales/Marketing										
Cyclical Business Experience										
HR/Compensation										

USG Corporation

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NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

The individuals listed below have been nominated for election to the Board for a three-year term expiring in 2021.

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

JOSE ARMARIO
Retired Executive Vice President of Worldwide Supply Chain, Development and Franchising of McDonald's Corporation

Age: 58
Director Since: January 2007
USG Committees: Audit and Compensation and Organization
Other Public Directorship: Avon Products, Inc.
Other Affiliations: Director of Golden State Foods and Advocate Health Care, Member of the President's Council of the University of Miami and the Governing Council of Advocate Good Samaritan Hospital, and Director for Receptions for Research: The Greg Olsen Foundation

Qualifications and Experience:
Mr. Armario retired as Executive Vice President of Worldwide Supply Chain, Development, and Franchising of McDonald's Corporation, a publicly-traded restaurant operator and franchisor, in October 2015, after having held that position since August 2011. Prior thereto he served as Group President, McDonald's Canada and Latin America. He has extensive global consumer products marketing, branding, supply chain and Latin American markets expertise.

DANA S. CHO
Partner and Managing Director of IDEO LP

Age: 42

Qualifications and Experience:
Ms. Cho has served as a Partner and Managing Director of IDEO, LP, an international design and consulting firm, since 2014. Prior thereto she served in a variety of roles at IDEO since 2001, including Executive Design Director from 2013 to 2014. Ms. Cho has considerable experience working across commercial and residential construction and design sectors as well as in disruptive technology, architecture, innovation and new product development.

Director Since:
Ms. Cho is standing for election for the first time.

USG Committee:
If elected, Ms. Cho is expected to serve on the Governance Committee.

Other Affiliation:
Advisory Board Member of the Harvard University Graduate School of Design and John A. Paulson School of Engineering and Applied Sciences – Master in Design Engineering Program

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GRETCHEN R. HAGGERTY
Retired Executive Vice President and Chief Financial Officer of United States Steel Corporation

Age: 62
Director Since: May 2011
USG Committee: Audit
Other Public Directorships: Johnson Controls International plc and Teleflex Incorporated
Other Affiliations: Director of the Strategic Investment Fund and the United Way of Southwestern Pennsylvania

Qualifications and Experience:
Ms. Haggerty retired as Executive Vice President and Chief Financial Officer of United States Steel Corporation, a publicly-traded integrated steel producer, in August 2013, after having held that position for more than ten years. In addition to her financial expertise she also has substantial international and cyclical business experience.

WILLIAM H. HERNANDEZ
Retired Senior Vice President, Finance and Chief Financial Officer of PPG Industries, Inc.

Age: 69
Director Since: September 2009
USG Committee: Audit (Chair)
Other Public Directorships: Albemarle Corporation and Northrop Grumman Corporation
Other Affiliations: Director of the Three Rivers

Qualifications and Experience:
Mr. Hernandez retired as Senior Vice President, Finance and Chief Financial Officer of PPG Industries, Inc., a publicly-traded manufacturer of coatings, chemical and industrial products, specialty materials and glass products, in 2009, after having served as Chief Financial Officer for more than 15 years. He is a former director of Eastman Kodak Company and Black Box Corporation and has significant financial and cyclical business experience.

chapter of the National Association of Corporate Directors and Director of the Ligonier Camp & Conference Center

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DIRECTORS CONTINUING IN OFFICE

The following directors are continuing in office for terms expiring in 2019:

THOMAS A. BURKE
President and Chief Executive Officer of Modine Manufacturing Company

Age: 60
Director Since: September 2013
USG Committees: Audit and Governance
Other Public Directorship: Modine Manufacturing Company
Other Affiliations: Director of the National Association of Manufacturers and Chairman of the Racine County Workforce Development Board

Qualifications and Experience:
Mr. Burke has been President and Chief Executive Officer of Modine Manufacturing Company, a publicly-traded manufacturer of thermal management systems and components, since April 2008. He has experience managing cyclical businesses and international operations and has valuable insights regarding the manufacturing industry from his service on the board of the National Association of Manufacturers.

BRIAN A. KENNEY
Chairman, President and Chief Executive Officer of GATX Corporation

Age: 58
Director Since: February 2011
USG Committee: Governance
Other Public Directorship: GATX Corporation
Other Affiliation: Member of the

Qualifications and Experience:
Mr. Kenney is Chairman, President and Chief Executive Officer of GATX Corporation, a publicly-traded global railcar lessor, and has held this position since 2005. During his tenure, he has obtained extensive strategic, operational, financial and international investment experience and corporate governance insights in his position as Chairman of GATX. The similarity of the cyclical nature of our business and GATX Corporation's business provides Mr. Kenney with an understanding of the challenges that volatile economic conditions present for our business.

Board of Trustees
of the Shedd
Aquarium in
Chicago

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STEVEN F. LEER
Non-Executive Chairman
Retired Chairman and Chief Executive Officer of Arch Coal, Inc.

Qualifications and Experience:
Mr. Leer retired as Chairman of Arch Coal, Inc., a publicly-traded 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. He is a former director of the Greater St. Louis Area Boy Scouts of America and the National Association of Manufacturers and a former member of the Board of Regents of Washington University in St. Louis. Mr. Leer provides corporate governance insights from his service as Chairman of Arch Coal, Inc. and as a director of other public companies and particular insights regarding business conditions and developments in North America from his service on the boards of Cenovus Energy Inc., Norfolk Southern Corporation and Parsons Corporation.

Age: 65
Director Since: July 2005
USG Committees: Governance (Chair) and Compensation and Organization
Other Public Directorships: Cenovus Energy Inc. and Norfolk Southern Corporation
Other Affiliation: Director of Parsons Corporation

The following directors are continuing in office for terms expiring in 2020:

MATTHEW CARTER, JR.
Former President and Chief Executive Officer of Inteliquent, Inc.

Qualifications and Experience:
Mr. Carter served as President and Chief Executive Officer and a director of Inteliquent, Inc., a publicly-traded provider of voice telecommunications services, from June 2015 until February 2017 when Inteliquent, Inc. was acquired. He served as President of the Sprint Enterprise Solutions business unit of Sprint Corporation, a publicly-traded telecommunications company, from September 2013 until January 2015 and as President, Sprint Global Wholesale & Emerging Solutions at Sprint Nextel Corporation prior thereto. He is a former director of Apollo Education Group, Inc. and Inteliquent, Inc. and has significant marketing, technology and international experience, including previous management oversight for all of Inteliquent, Inc.'s operations.

Age: 57
Director Since: September 2012
USG Committees: Compensation and Organization and Governance
Other Public Directorship: NRG Energy, Inc.
Other Affiliations: Trustee of the Goodman Theater,

the Gould
Academy and the
Bishop’s School

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RICHARD P. LAVIN
Former President and Chief Executive Officer of Commercial Vehicle Group, Inc. and Former Group President of Caterpillar Inc.

Age: 66
Director Since: November 2009
USG Committee: Compensation and Organization (Chair)
Other Public Directorships: ITT Inc. and Allison Transmission Holdings, Inc.

Qualifications and Experience:
Mr. Lavin served as President, Chief Executive Officer and a director of Commercial Vehicle Group, Inc., a publicly-traded supplier of cab-related products and systems for the global commercial vehicle market, from May 2013 until November 2015. He had previously served as Group President of Caterpillar Inc., a publicly-traded manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives, until his retirement in December 2012, after having worked for Caterpillar for nearly 29 years. These positions provided Mr. Lavin with experience managing cyclical, global manufacturing businesses, and he also has a diverse legal and human resources background.

JENNIFER F. SCANLON
President and Chief Executive Officer of USG Corporation

Age: 51
Director Since: September 2016
Other Public Directorship: Norfolk Southern Corporation
Other Affiliations: Director of the National Association of Manufacturers, the Chicago Council on Global Affairs and Shore Community Services, Inc.

Qualifications and Experience:
Ms. Scanlon has served as our President and Chief Executive Officer since November 2016. Prior thereto she held a variety of positions at USG, including Executive Vice President beginning in March 2016 and President, International beginning in September 2010. She also served as the chairman of the board of USG Boral from its inception in February 2014 until October 2016 and President of L&W Supply from July 2015 until its sale to ABC Supply in October 2016. Ms. Scanlon has extensive international experience from her leadership of USG's international joint ventures and broad operational and strategic experience from her previous assignments at USG and with a management consulting firm that specialized in increasing profits through operational improvement.

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NOMINATION PROCESS AND CRITERIA FOR BOARD MEMBERSHIP

The Governance Committee recommends director candidates to the Board for nomination and election at the annual meeting or for appointment to fill vacancies. In recognition of the fact that the selection of qualified directors is complex and crucial to our long-term success, the Governance Committee annually reviews with the Board the skills and characteristics required of our directors, considering current Board composition and the current needs of our Company. Our process for reviewing and selecting 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, our Company and our stockholders. Desired qualities for our directors, including those nominated for election by our stockholders, include high-level leadership experience in business or administrative activities, breadth of knowledge about issues affecting our Company, 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. 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 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 Governance Committee seeks to have a mix of directors with experience in one or more areas relevant to our businesses, including operations, manufacturing, marketing, finance, human resources, engineering, technology and innovation and international, as well as experience with cyclical businesses. We do not have a formal policy with regard to the consideration of diversity in identifying directors. However, as part of our commitment to diversity as a core value and in our efforts to attract and retain a diverse workforce as well as to enhance our relationship with an increasingly diverse customer and employee base, the Governance Committee may also decide to seek a qualified diverse candidate.

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 candidates, including in the case of Ms. Cho. When searching for a new director candidate in 2017, the Governance Committee specifically instructed its executive search firm to include diverse 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.

Our By-laws and Corporate Governance Guidelines provide that no non-employee director may serve on the Board beyond the first annual meeting of stockholders following the director's 72nd birthday, unless the Board determines otherwise.

STOCKHOLDER NOMINEE RECOMMENDATIONS

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 2019 annual meeting of stockholders is described under the heading "Deadline for Stockholder Proposals" on page 57 of this proxy statement.

DIRECTOR INDEPENDENCE

The Board has determined that Ms. Cho and each of our current directors, except Ms. Scanlon, our President and Chief Executive Officer, is independent as defined by our By-laws and Corporate Governance Guidelines and the NYSE listing standards. Our Corporate Governance Guidelines provide that at least 80% of our directors should be independent in accordance with the standards of the NYSE and our By-laws. The listing standards of the NYSE also require that a majority of our directors and all members of our Audit, Compensation and Organization and Governance Committees be independent. A director is considered independent only if the Board determines that he or she has no direct or indirect material relationship with our Company. Our By-laws further provide that members of legal, accounting or auditing firms providing services to us are not independent.

The Board makes this determination annually based upon information provided by each of our directors and the recommendation of the Governance Committee. In making the most recent determination, the Board considered the transactions, relationships and arrangements involving the directors noted below. These transactions were deemed not to create a material interest on the part of such director under our Related Person Transactions Policy described on page 25 of this proxy statement.

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Mr. Carter is a director of NRG Energy, Inc., from which we purchase electrical power and synthetic gypsum. Mr. Carter was also an executive officer and a director of Inteliquent, Inc. until February 2017, which agreed, prior to the time he was associated with Inteliquent, to sublease office space from us.
Mr. Hernandez was a director of Black Box Corporation until October 2017, and we purchase communication equipment from that company.
Mr. Kenney is an executive officer and a director of GATX Corporation, from which we lease railcars.
Mr. Lavin is a director of ITT Inc., from which we purchase equipment.
Mr. Leer is a director of Norfolk Southern Corporation, from which we purchase rail transportation services, and Ms. Scanlon also serves on the Norfolk Southern board. Mr. Leer is also a director of Parsons Corporation, from which we purchase construction contractor labor.

ROLE AND RESPONSIBILITIES OF OUR BOARD

The Board acts as the ultimate decision-making body of our Company and advises and oversees management, who are responsible for the day-to-day operations and management of our Company. In carrying out its responsibilities, the Board reviews and assesses our Company's long-term strategy and its strategic, competitive and financial performance.

In 2017, the Board oversaw our strategic review and the reorganization of our divisions in order to focus on our customers and best execute our strategic plan, and the acquisition of Ceilings Plus, a leading manufacturer of specialty ceilings products. These activities, as well as our Company's operating performance, laid the foundation for the return of capital to stockholders through the repurchase of $184 million of our common stock in 2017, as well as our announcement in February 2018 of an increase in our share repurchase program to a total of $500 million.

BOARD LEADERSHIP

Our Corporate Governance Guidelines provide 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. In connection with Ms. Scanlon's appointment as President and Chief Executive Officer in 2016, the Governance Committee and the Board discussed board leadership alternatives before deciding to separate the Chairman and Chief Executive Officer roles. The Board continues to believe that it is appropriate to separate these roles at this time in order to allow Ms. Scanlon to focus primarily on her responsibilities as President and Chief Executive Officer while also providing the benefit of independent leadership to enhance the effectiveness of the Board's oversight role. Our Chief Executive Officer is responsible for day-to-day leadership and for setting the strategic direction of the Company, while the Non-Executive Chairman of the Board presides over Board meetings, including non-management and executive sessions, focuses on Board oversight, risk management and governance matters and provides advice and counsel to the CEO. Mr. Leer's tenure as Lead Director of the Board from 2012 until his appointment as Non-Executive Chairman in 2016, as well as his experience serving as Chairman and Lead Director of other publicly-traded companies, provide him with the experience and expertise to be the person who generally leads discussions of matters considered by the Board. The Board will continue to evaluate this leadership structure on an ongoing basis based on factors such as the experience of the applicable individuals and the current business environment.

COMMITTEES OF THE BOARD OF DIRECTORS

The following table indicates the current members of each of the Board's standing committees. If elected, Ms. Cho is expected to serve on the Governance Committee, with all committees to be reconfigured so that each director serves on only one committee.

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

Chairperson Member

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Each committee meets periodically throughout the year, reports its actions and recommendations to the Board, receives reports from management, annually evaluates its performance and has the authority to retain outside advisors at its discretion. Each committee has a charter that requires its members to be “independent” as defined in the NYSE listing standards. The primary responsibilities of each committee are summarized below and set forth in more detail in each committee’s written charter, which can be found on our Company’s investor relations website at investor.usg.com.

Audit Committee

Committee Members: William H. Hernandez Jose Armario Thomas A. Burke Gretchen R. Haggerty 6 meetings in 2017	Roles and Responsibilities: Assist the Board in monitoring the integrity of our financial statements, our compliance with legal and regulatory requirements, the independence, qualifications and performance of our independent auditors and the performance of our internal audit function. Review our risk assessment and risk management policies. Select and employ 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 has determined that each member of the Audit Committee is an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission.

Compensation and Organization Committee

Committee Members: Richard P. Lavin Jose Armario Matthew Carter, Jr. Steven F. Leer 6 meetings in 2017	Roles and Responsibilities: Review and make recommendations to the Board regarding management organization, succession and development programs. Review and approve, or recommend for approval, the election of corporate officers and their salaries and incentive compensation or bonus awards. Make the decisions required by a committee of the Board under all stock and deferred stock plans. Approve and report to the Board changes in salary ranges for all other major position categories and, as outlined in its charter, changes in our retirement, group insurance, investment, management incentive compensation and bonus and other benefit plans. Review, and report to the Board regarding, activities with respect to employee safety and occupational health, diversity and equal employment opportunity and corporate contributions. The Board has determined that each member of the Compensation and Organization Committee is an outside director as defined by the Internal Revenue Code.

Governance Committee

Committee Members: Steven F. Leer Thomas A. Burke Matthew Carter, Jr. Brian A. Kenney 4 meetings in 2017	Roles and Responsibilities: Make recommendations to the Board concerning the size and composition of the Board and its committees. Recommend nominees for election or reelection as directors. Consider other matters pertaining to Board membership, such as the retirement policy and compensation of non-employee directors. Evaluate Board performance and assess the adequacy of our Corporate Governance Guidelines and Code of Business Conduct, and monitor compliance with our Corporate Governance Guidelines.

Following the approval by our stockholders of an amendment to our Restated Certificate of Incorporation at our annual meeting in 2017, the Board eliminated its Finance Committee in order to make our governance structure more efficient and flexible. Prior to its elimination, the Finance Committee met twice in 2017 and was responsible for providing review and oversight of material financing requirements and funding programs, including debt issuances and repurchases, dividend policy and acquisitions, divestitures and significant transactions affecting our capital structure or ownership, and reviewing the funding of our qualified retirement plans in excess of minimum amounts required by law and authorizing necessary or desirable changes in actuarial assumptions for funding those retirement plans. Many responsibilities of the Finance Committee have been assumed by the full Board given their prior involvement in such matters, while the remainder have been assumed by other committees of the Board.

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RISK OVERSIGHT

The Board believes that evaluating the executive team's management of the various risks confronting our Company is one of its most important areas of oversight. Our Chief Executive Officer and management are responsible for evaluating and managing our exposure to risk and ensuring risk assessment and management procedures are appropriate, while the Board is responsible for overseeing management's development and implementation of our risk assessment and management policies and procedures. The Audit Committee's responsibilities include discussing our risk assessment and risk management policies, including significant financial reporting risks and the steps management has taken to monitor, control and report such exposures, and a discussion of management delegations of responsibility for the principal financial, governance, legal and operational risk exposures identified as part of our enterprise risk management (ERM) program. The Audit Committee discusses risk assessment and risk management policies at least once each year as part of our review of our ERM program and then reviews these matters and the ERM program with the full Board. Each Board committee considers risks related to matters within the scope of its responsibilities as part of its 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 2018 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 to confirm they do not include 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, which are described more fully under "Compensation Governance" on page 33 of this proxy statement. 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.

STRATEGY

At its regularly-scheduled meeting in September of each year, our full Board reviews our Company's near- and long-term strategies in detail. The meeting includes presentations by and discussions with senior management regarding strategic initiatives for each division. The Board remains involved in strategic planning throughout the year, engaging with management to review progress of, and challenges to, our Company's strategies, and to approve specific initiatives. In 2017, our Board and committees devoted significant additional time throughout the year to the formulation of the four pillars of our new strategy in order to achieve superior performance at all points in the cycle, as well as the reorganization of our divisions in order to focus on our customers and best execute our strategic plan. Individual Board committees also consider strategic matters that fall within their areas of focus and report to the full Board at regularly scheduled meetings. Our independent directors also met in executive sessions without management present at each regularly scheduled Board meeting in 2017, during which strategy was discussed as needed.

STOCKHOLDER ENGAGEMENT

We conduct investor outreach throughout the year. These efforts help ensure that management and the Board understand and consider the issues that matter most to our stockholders and allow us to effectively address them. Management regularly attends investor conferences and holds one-on-one meetings and calls with investors, and also has the opportunity to directly interact with investors and analysts during our quarterly earnings conference calls. In addition, on March 8, 2018, we hosted our inaugural Investor Day during which Ms. Scanlon, our President and Chief Executive Officer, Matthew F. Hilzinger, our Chief Financial Officer, and other members of our management team provided an overview of our strategy, key business and product initiatives and market and financial outlook.

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(s) 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. Pursuant to our Corporate Governance Guidelines, each director is expected to attend our annual meeting. All of our directors attended the 2017 annual meeting.

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BOARD OF DIRECTORS PROCESSES

CORPORATE GOVERNANCE DOCUMENTS

Our By-laws, Corporate Governance Guidelines and Code of Business Conduct, and the charters of our Board committees, are posted on our investor relations website investor.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 incorporate such information.

MEETINGS OF THE BOARD OF DIRECTORS

The Board held eight meetings, and its committees held a total of 18 meetings, during 2017. 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. The Board met in executive session at each of its six regularly scheduled meetings.

BOARD SELF-EVALUATIONS

We are committed to maintaining an effective Board that represents the best interests of our Company and our stockholders. In order to assess the effectiveness of the Board and its committees, each director annually completes a survey in which he or she provides suggestions and feedback to the Governance Committee and the Board. This process allows directors to provide anonymous input on, among other things, Board and committee structure and operations, the Board's relationship with management, planning and oversight, and Board education topics. The Governance Committee, as well as the full Board, discussed these results in executive session at the November 2017 meeting and they use them to address areas where the Board feels it can improve. In addition, our Non-Executive Chairman conducted individual calls with each director following the November meeting and provided additional feedback to the directors and management at the February 2018 meeting.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

Our orientation programs, in which Ms. Cho will participate, familiarize new directors with our Company's businesses, strategies, and policies, and assist new directors in developing the skills and knowledge required for their service on the Board. This orientation program includes a review of strategic information, governance materials, meetings with key members of management, visits to Company plants and participation in third-party board conferences. Throughout the year we also present educational sessions to the Board and its committees to assist our directors in deepening their knowledge of our Company and maintaining skills and knowledge necessary or appropriate for the performance of their responsibilities. These programs include internally-developed materials and presentations as well as programs presented by third parties.

MANAGEMENT SUCCESSION PLANNING

The Compensation and Organization Committee has primary responsibility for helping the Board develop and evaluate potential candidates for executive positions and for overseeing the development of management succession plans. The committee reviews its succession plan with the Board at least annually in a special talent review session, addressing both a long-term plan and the possibility of an emergency situation. In conducting these reviews, the Board considers, among other factors, our overall business strategy, organizational and operational needs, leadership and management potential and competitive challenges. These reviews provide the Compensation and Organization 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. Potential leaders have regular exposure to and interactions with Board members through formal presentations and informal events, and all of our corporate officers regularly attend portions of the Board and committee meetings. The Compensation and Organization Committee is also regularly updated on key talent indicators for the overall workforce, including diversity, recruiting and development programs.

DIRECTOR COMPENSATION

The Governance Committee is charged with annually reviewing and making recommendations to the Board regarding director compensation. In making its recommendations, the Governance Committee considers the significant time committed by our directors to the performance of their duties, the high-level leadership experience and special competencies they contribute to our Company, third-party data, the director compensation practices of a comparator group of companies, our Company's performance and ways in which to further align our Board's interests with those of our stockholders. Ms. Scanlon, our President and Chief Executive Officer, does not receive compensation from us for her service as a director. Her compensation for her service as our President and Chief Executive Officer is shown in the Summary Compensation Table on page 43 of this proxy statement.

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CASH COMPENSATION

We pay our non-employee directors an annual cash retainer of $80,000, payable in equal quarterly installments. In 2017, we paid additional cash retainers of $20,000 to the chair of our Audit Committee, $15,000 to the chair of our Compensation and Organization Committee, $10,000 to the chair of our Governance Committee and $125,000 to Mr. Leer for his service as the Board's Non-Executive Chairman, in each case payable inequal quarterly installments. In addition, we paid an additional cash retainer of $10,000 to the chair of our Finance Committee, which committee was eliminated by the Board in November 2017. We also reimburse non-employee directors for out-of-pocket expenses they incur in connection with attending meetings and other Company activities.

ANNUAL GRANT

On December 31, 2017, each of our non-employee directors received an annual grant of $120,000 payable in shares of our common stock.

DEFERRAL OF COMPENSATION

Directors have the option to defer all or a part of their compensation in the form of deferred stock units that will increase or decrease in value in direct proportion to the market value of our common stock. Previously, our Deferred Compensation Program for Non-Employee Directors provided that deferred stock units would be paid in shares of common stock or cash, at each director's option, following termination of Board service. However, the Board amended the program effective August 30, 2017 to provide that future deferred stock units will be paid only in shares of common stock following termination of Board service. At that time, directors who participated in the Deferred Compensation Program were able to continue the election to receive cash or shares for previously issued deferred stock units or change such election to receive only shares. One director continued the election to receive cash or shares for previously issued deferred stock units that were earned by such director between January 1, 2008 and August 30, 2017. Deferred stock units earned prior to January 1, 2008 under a previous deferred compensation program will be paid in cash in accordance with the terms of that program. The amounts of cash compensation deferred by our directors into deferred stock units is included in the Fees Earned or Paid in Cash column of the 2017 Director Compensation table, and the amounts of equity compensation deferred by our directors into deferred stock units is included in the Stock Awards column, in each case as described in footnote 1 to the table.

2017 DIRECTOR COMPENSATION

The table below reflects the compensation we paid to our non-employee directors for 2017.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(1)(2)	All Other Compensation ($)(3)	Total ($)
Jose Armario	$80,000	$120,016	$250	$200,266
Thomas A. Burke	80,000	120,000	—	200,000
Matthew Carter, Jr.	80,000	120,000	—	200,000
Gretchen R. Haggerty	80,000	120,016	—	200,016
William H. Hernandez	100,000	120,000	—	220,000
Brian A. Kenney	90,000	120,016	—	210,016
Richard P. Lavin	95,000	120,016	—	215,016
Steven F. Leer	215,000	120,000	1,275	336,275

(1) *Mr. Leer deferred 40% of his annual cash retainer into 2,633.6924 deferred stock units and Messrs. Burke, Carter, Hernandez and Leer each deferred his annual stock grant into 3,101.5766 deferred stock units, in each case pursuant to the terms of our Director Compensation Program. Directors hold the number of deferred stock units shown in the Security Ownership of Directors, Nominees and Executive Officers table on page 55 of this proxy statement. A portion of the total deferred stock units held are classified as liability awards for accounting purposes because the director can elect to receive payment in shares of common stock or cash. The remainder are classified as equity awards. The balances of liability awards are adjusted over the course of the year to reflect changes in the market value of our stock. The net impact of this accounting treatment in 2017 was to increase award balances by the following amounts: Mr. Armario, $(104,000); Mr. Burke, $13,000; Mr. Carter, $17,000; Mr. Hernandez, $(112,000); and Mr. Leer, $193,000.*

(2) *Each of Ms. Haggerty and Messrs. Armario, Kenney and Lavin received his or her annual stock grant in shares of our common stock. They were each issued 3,102 shares based on the average of the high and low sales prices of a share of our common stock on December 29, 2017, the last trading day of the year. The amounts in this column for Ms. Haggerty and Messrs. Armario, Kenney and Lavin reflect the aggregate grant date fair value of the shares issued to them.*

(3) *Reflects matching contributions under the USG Foundation matching gift program. This program is generally available to our U.S. employees and to our directors. The USG Foundation matches up to 50% of donations made to eligible charitable organizations up to a maximum of $2,500 in matches per year for each individual. The amounts shown reflect matches for gifts that were made in 2016 but, due to administrative processing time, were paid by the USG Foundation in 2017.*

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STOCKHOLDER RIGHTS PLAN AND TRANSFER RESTRICTIONS IN OUR RESTATED CERTIFICATE OF INCORPORATION

RIGHTS PLAN

We have a stockholder rights plan that is intended to protect our substantial net operating losses, or NOL, carryforwards and related tax benefits. Under federal tax laws, we generally can use our NOLs and certain related tax credits to reduce ordinary income tax paid in our prior two tax years or on our future taxable income for up to 20 years, when they "expire" for such purposes. As of December 31, 2017, we had federal NOL carryforwards of approximately $477 million.

Our ability to use our NOLs could be substantially limited if we experience an "ownership change," as defined under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, and the rights plan has been designed to help prevent such an "ownership change." Under Section 382 of the Code, an "ownership change" occurs if, over a rolling three-year period, there has been an aggregate increase of 50 percentage points or more in the percentage of our common stock owned by one or more of our "5-percent stockholders" (as determined under Section 382 of the Code). The rights plan provides that if any person becomes the beneficial owner (as defined in the Code) of 4.9% or more of our common stock, stockholders other than the 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, as defined in Section 382 of the Code, exceeded 4.9% of our common stock outstanding on February 11, 2015 will not be deemed to have triggered the rights plan, so long as they do not thereafter acquire beneficial ownership of additional common stock other than in certain specified exempt transactions.

The rights will expire at the close of business on May 31, 2019, unless earlier redeemed or exchanged. The Board has the power to accelerate or extend the expiration date of the rights. The NOL protective provisions of the rights plan described above will be effective until the earliest of the close of business on (i) May 31, 2019, (ii) the date on which the Board determines that these provisions are no longer necessary for the protection of certain tax benefits because of the repeal of Section 382 of the Code, (iii) the first day of a taxable year as to which the Board determines that no tax benefits may be carried forward, or (iv) such other date as the Board determines that these provisions are no longer necessary for the preservation of tax benefits, which period is referred to as the Special Period. After the end of the Special Period, the triggering threshold for the rights issued pursuant to the rights plan will revert to 15% of our outstanding common stock and the definition of "beneficial owner" will revert to a definition that does not track Section 382 of the Code. At our 2016 annual meeting our stockholders ratified, on an advisory basis, the extension of the term of the rights plan and the NOL protective provisions described above.

A Board committee composed solely of independent directors reviews the rights plan 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 2015, and therefore the next review is required by the end of 2018.

RESTATED CERTIFICATE OF INCORPORATION

Our Restated Certificate of Incorporation also restricts certain transfers of our common stock and includes provisions intended to further protect the tax benefits of our NOL carryforwards. Subject to certain limited exceptions, these provisions 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 these transfer restrictions 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 transfer restrictions 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. These transfer restrictions are effective until the earliest of (i) the close of business on May 31, 2019, (ii) the repeal of Section 382 of the Code if the Board determines that these restrictions are no longer necessary or desirable for the preservation of tax benefits, (iii) the close of business on the first day of a taxable year as to which the Board determines that no tax benefits may be carried forward, or (iv) such other date as the Board determines that these provisions are no longer necessary for the preservation of tax benefits.

TREATMENT OF BERKSHIRE HATHAWAY

Pursuant to a Shareholder's Agreement reached in 2006, Berkshire Hathaway and certain of its affiliates may acquire beneficial ownership of up to 50% of our voting stock on a fully-diluted basis without triggering the ownership thresholds in our Restated

Certificate of Incorporation or the rights plan, and may acquire beneficial ownership of more than 50% of our voting stock on a fully-diluted basis without triggering the ownership thresholds in our Restated Certificate of Incorporation or the rights plan through an offer to purchase all of our common stock that remains open for at least 60 days, in each case subject to specified exceptions.

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TRANSACTIONS WITH RELATED PERSONS

RELATED PERSON TRANSACTIONS POLICY

Our Board believes that our Company must avoid “conflicts of interest” - situations where personal interests may interfere (or appear to interfere) with an employee’s or director’s objectivity in making business decisions on our behalf. Therefore our Board has established a written Related Person Transactions Policy, or the RPT Policy, to assist it in reviewing possible related person transactions involving our Company and its subsidiaries and Related Persons (as defined below). The RPT Policy supplements our other conflict of interest policies set forth in our Code of Business Conduct and the Corporate Governance Guidelines of our Board.

Related Persons consist of directors, nominees for election as directors, executive officers, stockholders who beneficially own more than five percent of our Company’s voting securities, referred to as Significant Stockholders, and the immediate family members of these individuals. For purposes of the RPT Policy, Related Person Transactions are transactions that are required to be disclosed under Item 404(a) of Regulation S-K promulgated under the Exchange Act of 1934, as amended. Such arrangements include transactions in which our Company is a participant, the amount involved exceeds $120,000, and a Related Person has or will have a direct or an indirect material interest, subject to certain exceptions which the Board has determined do not create or involve a material interest on the part of the Related Person.

Each director, nominee for director and executive officer is responsible for providing written notice to the General Counsel of any potential Related Person Transaction involving him or her, or his or her immediate family member, including any additional information about the transaction that the General Counsel may reasonably request. In addition, each director, nominee for director and executive officer is required to complete an annual questionnaire that requests information about their immediate family members and any current, past and proposed Related Person Transactions. The General Counsel reviews transactions with Related Persons, and working with our Company’s accounts payable and accounts receivable departments and other internal or external resources, collects information about such transactions.

At each regularly scheduled meeting of the Governance Committee, the General Counsel provides the details of each new or proposed transaction with a Related Person that is subject to the RPT Policy, and the Governance Committee determines whether to approve, reject or ratify the transaction. In doing so, the Governance Committee considers whether it is fair to our Company based on the facts and circumstances that it deems appropriate. In any case where the Governance Committee determines not to ratify a Related Person Transaction that has been commenced without approval, the Governance Committee may direct additional actions, including, but not limited to, immediate discontinuation or rescission of the transaction or modification of the transaction to make it acceptable for ratification. In addition, the chair of the Governance Committee (or the chair of the Audit Committee if the transaction involves the chair of the Governance Committee) has the authority to review and approve or ratify a Related Person Transaction when it is not practicable or desirable to delay review of a transaction until a Governance Committee meeting, and reports to the Governance Committee any transaction so approved or ratified.

AGREEMENTS WITH BERKSHIRE HATHAWAY

SHAREHOLDER’S AGREEMENT

As of the record date, Berkshire Hathaway beneficially owned approximately 31% of our common stock. In connection with an equity commitment agreement we entered into with Berkshire Hathaway in January 2006, we entered into a Shareholder’s Agreement pursuant to which Berkshire Hathaway agreed that during the time that it owns our equity securities, it will be exempted from our stockholder rights plans, including our rights plan and the transfer restrictions in our Restated Certificate of Incorporation, except that such 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 Shareholder’s Agreement was approved by our Board.

REGISTRATION RIGHTS AGREEMENT

In November 2008, we issued $300 million aggregate principal amount of 10% Contingent Convertible Senior Notes due 2018 to affiliates of Berkshire Hathaway. The notes were called for redemption in November 2013 and March 2014 and we issued an aggregate of 26,315,790 shares of common stock to affiliates of Berkshire Hathaway.

In connection with the 2008 issuance of notes, we entered into a registration rights agreement with Berkshire Hathaway. Under the registration rights agreement, we granted Berkshire Hathaway demand and piggyback registration rights with respect to all of the shares of common stock held by it and specified affiliates from time to time. The registration rights agreement entitles Berkshire Hathaway to make three demands for registration of all or part of the common stock held by it and its affiliates, subject to certain conditions and exceptions. The registration rights agreement also provides 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 shares of common stock that are held by Berkshire Hathaway or the specified affiliates, then we will offer Berkshire Hathaway and its specified affiliates the opportunity to register all or part of its shares of common stock on the terms and conditions set forth in the registration rights agreement. The registration rights agreement and the notices of redemption issued with respect to the notes in November 2013 and March 2014 were approved by our Board.

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AGREEMENTS WITH KNAUF

As of the record date, an affiliate of Gebr. Knauf Verwaltungsgesellschaft KG, or Gebr. Knauf, beneficially owned approximately 10.5% of our common stock. In September 2015, we and our indirect wholly-owned subsidiary, USG Ventures-Europe GmbH, entered into an Interest and Share Purchase Agreement, or the ISPA, with Knauf Aquapanel GmbH, an affiliate of Gebr. Knauf. Pursuant to the ISPA, USG Ventures-Europe GmbH sold to such affiliate its 50% share of its interests in Knauf/ USG Verwaltungs GmbH and Knauf/USG Systems GmbH & Co. KG, collectively referred to as the Knauf-USG Joint Venture, for a total price of €48 million in cash. The Knauf-USG Joint Venture manufactured and distributed Aquapanel® brand cement panels throughout Europe (excluding Turkey) and all countries that were part of the former Soviet Union since 2001. The sale was consummated in December 2015 and we recorded a $6 million net gain on the disposition. The sale of our interests in the Knauf-USG Joint Venture was approved by our Board. There are continuing indemnification obligations under the ISPA pursuant to which we may be obligated to pay money to, or entitled to receive money from, certain entities affiliated with Gebr. Knauf.

We were named as 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 related to wallboard manufactured by Knauf Plasterboard (Tianjin) Co., an affiliate of Gebr. Knauf. Those lawsuits have been resolved, and we have reached an agreement with Gebr. Knauf and their 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, excl