PLAINTIFF'S
EXHIBIT
USG-497

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

ATTESTATION

I HEREBY ATTEST *that:*

Attached is a copy of, quarterly report on Form 10-Q, for the quarterly period ended September 30, 2000, received in this Commission November 8, 2000, under the name USG Corporation, File No. 1-8864, pursuant to the provisions of the Securities Exchange Act of 1934.

on file in this Commission

February 6, 2001
(Date)

Larry Mills
Records Officer

It is hereby certified that the Associate Executive Director, Office of Filings and Information Services, U.S. Securities and Exchange Commission, Washington, D.C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is official custodian of the records and files of said Commission, and all records and files created or established by the Federal Trade Commission pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, and was such official custodian at the time of executing the above attestation, and that he/she, and persons holding the positions of Deputy Director, Associate Directors, Special Assistant to the Director, Records Officer, and the Branch Chief of Records Management, or any one of them, are authorized to execute the above attestation.

For the Commission

Jonathan G. Katz
Secretary

SEC 334 (8-95)

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1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2000

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to ___________

Commission File Number 1-8864

USG CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-3329400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
125 South Franklin Street, Chicago, Illinois	60606-4678
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (312) 606-4000

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes X No

As of September 30, 2000, 43,388,552 shares of USG common stock were outstanding.

2

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

USG CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Net sales	$ 895	$ 952	$ 2,772	$ 2,670
Cost of products sold	700	669	2,065	1,891
Gross profit	195	283	707	779
Selling and administrative expenses	73	85	236	244
Operating profit	122	198	471	535
Interest expense	13	13	38	40
Interest income	(1)	(3)	(4)	(6)
Other expense, net	3	1	4	2
Earnings before income taxes	107	187	433	499
Income taxes	42	71	169	193
Net earnings	65	116	264	306
Basic earnings per common share	1.48	2.34	5.68	6.16
Diluted earnings per common share	1.48	2.32	5.66	6.09
Dividends paid per common share	0.15	0.10	0.45	0.30
Average common shares	43,948,520	49,623,637	46,524,166	49,764,386
Average diluted common shares	44,086,452	50,165,592	46,716,812	50,352,316

See accompanying Notes to Consolidated Financial Statements.

USG CORPORATION
CONSOLIDATED BALANCE SHEET
(DOLLARS IN MILLIONS)
(UNAUDITED)

	AS OF SEPTEMBER 30, 2000	AS OF DECEMBER 31, 1999
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 21	$ 197
Receivables (net of reserves - $18 and $18)	362	361
Inventories	282	256
Deferred income taxes	76	80
Total current assets	741	894
Property, plant and equipment (net of reserves for depreciation and depletion - $416 and $373)	1,796	1,568
Other assets	300	332
Total Assets	2,837	2,794
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	211	172
Accrued expenses	255	303
Taxes on income	21	21
Notes payable	12	16
Current portion of long-term debt	150	--
Total current liabilities	649	512
Long-term debt	505	577
Deferred income taxes	--	138
Other liabilities	692	700
Stockholders' Equity:		
Preferred stock	--	--
Common stock	5	5
Treasury stock	(257)	(56)
Capital received in excess of par value	410	316
Deferred currency translation	(46)	(33)
Reinvested earnings	879	635
Total stockholders' equity	991	867
Total Liabilities and Stockholders' Equity	2,837	2,794

See accompanying Notes to Consolidated Financial Statements

USG CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN MILLIONS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999
OPERATING ACTIVITIES:		
Net earnings	$ 264	$ 306
Adjustments to reconcile net earnings to net cash:		
Depreciation, depletion and amortization	74	68
Current and deferred income taxes	10	4
Gain on asset dispositions	(1)	--
(Increase) decrease in working capital:		
Receivables	(1)	(44)
Inventories	(26)	(4)
Payables	28	21
Accrued expenses	(48)	44
Increase in other assets	(50)	(32)
Increase in other liabilities	39	92
Other, net	(6)	(6)
Net cash from operating activities	283	449
INVESTING ACTIVITIES:		
Capital expenditures	(310)	(273)
Net proceeds from asset dispositions	2	2
Net cash to investing activities	(308)	(271)
FINANCING ACTIVITIES:		
Issuance of debt	137	56
Repayment of debt	(105)	(49)
Short-term borrowings, net	44	(15)
Cash dividends paid	(20)	(15)
Issuances of common stock	--	11
Purchases of common stock	(207)	(45)
Net cash to financing activities	(151)	(57)
Net increase/(decrease) in cash and cash equivalents	(176)	121
Cash and cash equivalents at beginning of period	197	152
Cash and cash equivalents at end of period	21	273
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	45	50
Income taxes paid	206	192

See accompanying Notes to Consolidated Financial Statements.

USG CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) The consolidated financial statements of USG Corporation and its subsidiaries ("USG" or the "Corporation") included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. In the opinion of management, the statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Corporation's financial position as of September 30, 2000, and December 31, 1999, results of operations for the three months and nine months ended September 30, 2000 and 1999 and cash flows for the nine months ended September 30, 2000 and 1999. Certain amounts in the prior year financial statements have been reclassified to conform with the 2000 presentation. While these interim financial statements and accompanying notes are unaudited, they have been reviewed by Arthur Andersen LLP, the Corporation's independent public accountants. These financial statements and notes are to be read in conjunction with the financial statements and notes included in the Corporation's 1999 Annual Report on Form 10-K dated February 29, 2000.

(2) Total comprehensive income, consisting of net earnings and foreign currency translation adjustments, amounted to $61 million and $251 million in the three months and nine months ended September 30, 2000, respectively. For the respective 1999 periods, total comprehensive income amounted to $119 million and $305 million. There was no tax impact on the foreign currency translation adjustments.

(3) As of September 30, 2000, common shares totaling 2,074,975 were reserved for future issuance in conjunction with existing stock option grants. In addition, 2,472,770 common shares were reserved for future grants. Shares issued in option exercises may be from original issue or available treasury shares.

(4) Basic earnings per share were computed by dividing net earnings by the weighted average number of common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options to purchase shares of common stock is calculated using the treasury stock method. The reconciliation of basic earnings per share to diluted earnings per share is shown in the following table (dollars in millions except share data):

THREE MONTHS ENDED SEPTEMBER 30,	NET EARNINGS	SHARES (000)	PER SHARE AMOUNT
2000			
Basic earnings	$ 65	43,949	$ 1.48
Dilutive effect of stock options		137	
Diluted earnings	65	44,086	1.48

1999			
Basic earnings	$ 116	49,624	$ 2.34
Dilutive effect of stock options		542	
Diluted earnings	116	50,166	2.32

NINE MONTHS ENDED SEPTEMBER 30,

2000			
Basic earnings	$ 264	46,524	$ 5.68
Dilutive effect of stock options		193	
Diluted earnings	264	46,717	5.66
1999			
Basic earnings	$ 306	49,764	$ 6.16
Dilutive effect of stock options		588	
Diluted earnings	306	50,352	6.09

(5) USG's operations are organized into three operating segments: North American Gypsum, which manufactures and markets gypsum wallboard and related products in the United States, Canada and Mexico; Worldwide Ceilings, which manufactures and markets ceiling tile, ceiling grid and other interior systems products worldwide; and Building Products Distribution, which distributes gypsum wallboard, drywall metal, ceiling products, joint compound and other building products throughout the United States. Operating segment results were as follows (dollars in millions):

	NET SALES		OPERATING PROFIT	
THREE MONTHS ENDED SEPTEMBER 30,	2000	1999	2000	1999
North American Gypsum	$ 509	$ 575	$ 78	$ 165
Worldwide Ceilings	171	172	18	18
Building Products Distribution	346	362	33	31
Corporate	-	-	(8)	(16)
Eliminations	(131)	(157)	1	-
Total	895	952	122	198

NINE MONTHS ENDED SEPTEMBER 30,	2000	1999	2000	1999
North American Gypsum	$1,614	$1,602	$ 361	$ 467
Worldwide Ceilings	505	490	53	48
Building Products Distribution	1,070	999	88	65
Corporate	-	-	(34)	(45)
Eliminations	(417)	(421)	3	-
Total	2,772	2,670	471	535

(6) The Corporation uses derivative instruments to manage well-defined interest rate, energy cost and foreign currency exposures. The Corporation does not use derivative instruments for trading purposes. The criteria used to determine if hedge accounting treatment is appropriate are (i) the designation of the hedge to an underlying exposure (ii) whether or not overall uncertainty is being reduced and (iii) if there is a correlation between the value of the derivative instrument and the underlying obligation.

Interest Rate Derivative Instruments:
The Corporation utilizes interest rate swap agreements to manage the impact of interest rate changes on its underlying floating-rate debt. These agreements are designated as hedges and qualify for hedge accounting. Amounts payable or receivable under these swap agreements are accrued as an increase or decrease to interest expense on a current basis. To the extent the underlying floating-rate debt is reduced, the Corporation terminates swap agreements accordingly so as not to be in an overhedged position. In such cases, the Corporation recognizes gains and/or losses in the period in which the agreement is terminated.

Energy Derivative Instruments:
The Corporation uses swap and option contracts to hedge anticipated purchases of fuel to be utilized in the manufacturing processes for gypsum wallboard and ceiling tile. These contracts are designated as hedges and qualify for hedge accounting. Unrealized gains and losses and option premiums are deferred and included in net earnings as part

of the underlying transaction.

Foreign Exchange Derivative Instruments:
The Corporation has operations in a number of countries and due to intercompany and third-party transactions is exposed to changes in foreign currency exchange rates. The Corporation manages these exposures on a consolidated basis, which allows netting of certain exposures to take advantage of any natural offsets. To the extent the net exposures are hedged, forward and/or option contracts are used. Gains and/or losses on these foreign currency hedges are included in net earnings in the period in which the exchange rates change.

(7) One of the Corporation's subsidiaries, United States Gypsum Company ("U.S. Gypsum"), is a defendant in asbestos lawsuits alleging both property damage and personal injury. See Part II, Item 1. "Legal Proceedings" for information concerning the asbestos litigation.

The Corporation and certain of its subsidiaries have been notified by state and federal environmental protection agencies of possible involvement as one of numerous "potentially responsible parties" in a number of so-called "Superfund" sites in the United States. The Corporation believes that neither these matters nor any other known governmental proceeding regarding environmental matters will have a material adverse effect upon its results of operations or financial position. See Part II, Item 1. "Legal Proceedings" for additional information on environmental litigation.

-9-

10

(8) Under a revolving accounts receivable facility, the trade receivables of U.S. Gypsum and USG Interiors, Inc. are being purchased by USG Funding Corporation and transferred to a trust administered by Chase Manhattan Bank as trustee. Certificates representing an ownership interest of up to $130 million in the trust have been issued to an affiliate of Citicorp North America, Inc. USG Funding, a special-purpose subsidiary of USG Corporation, is a separate corporate entity with its own separate creditors that will be entitled to be satisfied out of USG Funding's assets prior to any value in USG Funding becoming available to its shareholder. Receivables and, when applicable, debt outstanding in connection with the receivables facility remain in receivables and long-term debt, respectively, on the Corporation's consolidated balance sheet.

(9) In the second quarter of 2000, USG entered into new revolving credit facilities totaling $600 million with a syndicate of banks. A five-year, multi-currency revolving credit facility permits the Corporation to borrow up to $400 million, including borrowing capacity for its Canadian subsidiaries of up to $75 million in equivalent Canadian dollars. In addition, a $200 million, 364-day facility was executed. These facilities contain two financial covenants that require the Corporation to maintain a minimum interest coverage ratio of 3.25x and a maximum leverage ratio of 3.75x. These facilities replace the $500 million U.S. and C$110 million Canadian revolving credit facilities that were scheduled to mature in 2002.

(10) The Corporation's income tax reserves were reduced by $103 million in the third quarter of 2000 to reflect the settlement of various tax

audits. The benefit realized from the reduction of these reserves was credited to equity in accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." The reduction of these reserves had no impact on the results of operations or cash flows of the Corporation.

(11) Effective January 1, 2001, the Corporation will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These statements establish accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or a liability measured at its fair value. The statements require that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Based upon initial review, the Corporation has determined that the adoption of SFAS No. 133 and SFAS No. 138 will not have a material impact on its financial statements.

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

CONSOLIDATED RESULTS

NET SALES
Net sales in the third quarter of 2000 were $895 million, down 6% from $952 million in the third quarter of 1999. This decrease in sales reflects the gypsum wallboard market's continued transition from short supply to excess supply and the resulting decline in wallboard selling prices. For the first nine months of 2000, net sales totaled $2,772 million, up 4% from $2,670 million in the comparable 1999 period.

GROSS PROFIT
Gross profit as a percent of net sales was 21.8% and 25.5% in the third quarter and first nine months of 2000, respectively, down from 29.7% and 29.2% in the respective 1999 periods. The lower margins in 2000 reflect the combination of significantly lower selling prices and higher energy and raw material costs for USG's SHEETROCK brand gypsum wallboard.

SELLING AND ADMINISTRATIVE EXPENSES
Selling and administrative expenses decreased 14% versus the third quarter of 1999 due to lower charges for incentive compensation programs and a company-wide emphasis on reducing expenses. For the first nine months of 2000, expenses decreased 3% from the comparable 1999 period. As a percent of net sales, selling and administrative expenses were 8.2% and 8.5% in the third quarter and first nine months of 2000, respectively, down from 8.9% and 9.1% for the corresponding 1999 periods.

INTEREST EXPENSE
Interest expense of $13 million was incurred in both the third quarter of 2000 and the third quarter of 1999. Interest expense amounted to $38 million in the first nine months of 2000, down from $40 million in the first nine months of 1999.

INCOME TAXES
Income tax expense was $42 million and $169 million in the three months and nine

months ended September 30, 2000, respectively, compared with $71 million and $193 million for the prior-year periods.

NET EARNINGS
Net earnings in the third quarter of 2000 were $65 million, down 44% from $116 million in the prior-year period. Diluted earnings per share decreased 36% to $1.48 from $2.32 a year ago. For the first nine months of 2000, net earnings were $264 million, down 14% from $306 million in the first nine months of 1999, and diluted earnings per share decreased to $5.66 from $6.09.

-11-

12
CORE BUSINESS RESULTS

(dollars in millions)	NET SALES		OPERATING PROFIT	
THREE MONTHS ENDED SEPTEMBER 30,	2000	1999	2000	1999
NORTH AMERICAN GYPSUM:				
U.S. Gypsum Company	$ 465	$ 536	$ 64	$ 149
CGC Inc. (gypsum)	48	41	9	8
Other subsidiaries*	30	29	5	8
Eliminations	(34)	(31)	-	-
Total	509	575	78	165
WORLDWIDE CEILINGS:				
USG Interiors, Inc.	124	121	17	17
USG International	56	55	-	-
CGC Inc. (ceilings)	11	11	1	1
Eliminations	(20)	(15)	-	-
Total	171	172	18	18
BUILDING PRODUCTS DISTRIBUTION:				
L&W Supply Corporation	346	362	33	31
Corporate	-	-	(8)	(16)
Eliminations	(131)	(157)	1	-
Total USG Corporation	895	952	122	198

	NET SALES		OPERATING PROFIT	
NINE MONTHS ENDED SEPTEMBER 30,	2000	1999	2000	1999
NORTH AMERICAN GYPSUM:				
U.S. Gypsum Company	$1,486	$1,500	$ 319	$ 428
CGC Inc. (gypsum)	143	115	26	19
Other subsidiaries*	81	78	16	20
Eliminations	(96)	(91)	-	-
Total	1,614	1,602	361	467
WORLDWIDE CEILINGS:				
USG Interiors, Inc.	365	345	49	46
USG International	166	159	1	-
CGC Inc. (ceilings)	32	29	3	2

Eliminations	(58)	(43)	-	-
Total	505	490	53	48
BUILDING PRODUCTS DISTRIBUTION:				
L&W Supply Corporation	1,070	999	88	65
Corporate	-	-	(34)	(45)
Eliminations	(417)	(421)	3	-
Total USG Corporation	2,772	2,670	471	535

*Includes Yeso Panamericano, S.A. de C.V., a building products business in Mexico, Gypsum Transportation Limited, a shipping company in Bermuda, and USG Canadian Mining Ltd., a mining operation in Nova Scotia.

NORTH AMERICAN GYPSUM
USG's North American gypsum business recorded net sales of $509 million and operating profit of $78 million in the third quarter of 2000. These amounts represent decreases of 11% and 53%, respectively, from the third quarter of 1999. First nine months 2000 net sales of $1,614 million increased 1%, but operating profit of $361 million was down 23% versus 1999.

United States Gypsum Company's third quarter 2000 net sales and operating profit declined 13% and 57%, respectively, from the third quarter of 1999. This performance reflects the gypsum wallboard market's transition from short supply, as experienced in 1999, to excess supply in 2000. Shipments of SHEETROCK brand gypsum wallboard totaled 2.4 billion square feet during the third quarter of 2000, virtually unchanged from the record level reported for the third quarter of 1999. However, lower net sales and operating profit primarily reflected lower selling prices for the company's SHEETROCK brand gypsum wallboard. Realized selling prices averaged $121.13 per thousand square feet, representing decreases of 23% from the third quarter of 1999 and 17% from the second quarter of 2000. The average price for the month of September 2000 fell to about $112.00 per thousand square feet. Profitability was also affected by higher production and asbestos-related costs. Production costs rose primarily due to rising prices for paper fiber and energy.

Asbestos-related charges totaled $27 million during the third quarter of 2000, an increase of $7 million from the third quarter of 1999. Through the first nine months, asbestos-related charges totaled $77.0 million, up $14.5 million from the same period in 1999. See "Legal Contingencies" below and Part II, Item 1. "Legal Proceedings" for additional information on asbestos litigation.

The gypsum business of Canada-based CGC Inc. reported a 17% increase in net sales and a 13% increase in operating profit compared with the third quarter of 1999. These increases primarily reflect additional results in 2000 for Sybex Inc.'s Canadian facilities which were acquired on November 30, 1999.

WORLDWIDE CEILINGS
Net sales in the third quarter of 2000 were $171 million, down $1 million from the third quarter of 1999, while operating profit was unchanged at $18 million. First nine months 2000 net sales of $505 million and operating profit of $53 million were up 3% and 10%, respectively, from the comparable 1999 levels.

USG's domestic ceilings business, USG Interiors, Inc., reported a 2% increase in net sales, while operating profit of $17 million was unchanged from the third quarter of 1999. Domestic shipments were at near-record levels, while international markets experienced little improvement over the past year. The ceilings division of CGC Inc. contributed $1 million in operating profit, the same as last year. USG International had breakeven results in the third quarter of both 2000 and 1999.

BUILDING PRODUCTS DISTRIBUTION
L&W Supply, the leading specialty building products distribution business in the United States, reported third-quarter 2000 net sales of $346 million, a decrease of 4% versus the third quarter of 1999. However, operating profit of $33 million was the highest level for any quarter in L&W Supply's history and represented a 6% increase over a year ago. These results were driven by record shipments of gypsum wallboard and strong sales of complementary building products. L&W Supply currently operates out of 193 locations in the United States, up from 191 locations a year ago, distributing a variety of gypsum, ceilings and related building materials.

MARKET CONDITIONS AND OUTLOOK

Housing starts during the first nine months of 2000 ran at a strong level. USG is currently forecasting U.S. housing starts in 2000 to be about 1.6 million units, down slightly from the 1.667 million units in 1999.

The repair and remodel market has been the fastest growing segment for USG, accounting for the second-largest portion of its sales. Record 1999 sales of existing homes of 5.2 million units is supporting residential repair and remodeling in 2000. This, combined with strong nonresidential repair and remodeling, provides solid opportunity in this market segment.

Sales of USG products to the new nonresidential construction market have been solid in 2000. Future demand for USG products from new nonresidential construction is determined by floor space for which contracts are signed. Installation of gypsum and ceilings products follows signing of construction contracts by about a year. Floor space for which contracts were signed rose 3% in 1999.

The U.S. market for gypsum wallboard transitioned from short supply, as experienced in 1999, to excess supply in 2000. Also, new industry capacity is being added in 2000 and 2001. As a result, management anticipates continued softness in its gypsum wallboard results for the remainder of 2000 and into 2001. In light of the excess supply conditions, USG recently announced the closure of its wallboard production line in Gypsum, Ohio, the fourth old, high-cost line that the Corporation has closed in the past year. Pressure on gypsum wallboard pricing is likely to continue until more capacity in the industry is closed. In the meantime, USG's management remains committed to its strategies to improve operating efficiencies, grow in profitable markets and manage its asbestos liability.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL STRATEGY
USG has been focused on building long-term stockholder value through dividends, stock repurchases and the five elements of its strategic growth plan.

Dividends: USG paid cash dividends of $0.15 per share in the first, second and third quarters of 2000. In 1999, USG paid cash dividends of $0.10 per share in the first, second and third quarters, and $0.15 in the fourth quarter.

Stock Repurchases: Through September 30, 2000, USG had been allocating a percentage of its free cash flow to stock repurchases. This percentage varied from quarter to quarter depending on the price of USG's stock, the level of USG's cash flow and alternate uses of cash. During the third quarter of 2000, the Corporation purchased 1.0 million shares of its stock bringing the total for the first nine months of 2000 to 5.6 million shares. Since the program began in the fourth quarter of 1998, USG had purchased 7.3 million shares, completing an initial 5-million-share authorization and purchasing 2.3 million shares of an additional 5-million-share program authorized by USG's Board of Directors in the first quarter of 2000. Share repurchases have been made in the open market or through privately negotiated transactions and were funded with available cash from operations. In light of the uncertainties involving asbestos litigation as discussed below under Legal Contingencies and in Part II, Item 1. "Legal Proceedings," USG does not anticipate making any further repurchases of common stock at this time.

Strategic Growth Plan: USG is investing in its businesses under five central strategies - building for growth by adding capacity and lowering production costs, leading in product innovation, expanding its building products distribution business, enhancing customer service and promoting its brand names.

CAPITAL EXPENDITURES

Capital spending amounted to $310 million in the first nine months of 2000, compared with $273 million in the corresponding 1999 period. As of September 30, 2000, capital expenditure commitments for the replacement, modernization and expansion of operations amounted to $131 million, compared with $260 million as of December 31, 1999.

In the second quarter of 2000, U.S. Gypsum successfully opened its new wallboard plant in Aliquippa, Pa. In the third quarter of 2000, a new wallboard production line at U.S. Gypsum's Plaster City, Calif., plant began operation. USG's current capital spending program includes construction of new gypsum wallboard plants in Rainier, Ore., and Monterrey, Mexico. The startup of the new Rainier plant is expected in the fourth quarter of this year, while startup of the Monterrey facility is anticipated to occur in the third quarter of 2001.

USG also evaluates potential acquisitions of companies in the building products industry, as well as divestitures and joint ventures, on an ongoing basis. USG has external sources of capital available and adequate financial resources and liquidity to fund future growth opportunities such as new products, acquisitions and joint ventures.

WORKING CAPITAL

Working capital (current assets less current liabilities) as of September 30, 2000, amounted to $92 million, compared with $382 million as of December 31,

1999. The ratio of current assets to current liabilities was 1.14 to 1 as of September 30, 2000, compared with 1.75 to 1 as of December 31, 1999.

Cash and cash equivalents as of September 30, 2000, amounted to $21 million compared with $197 million as of December 31, 1999. During the first nine months of 2000, net cash flows from operating activities totaled $283 million. Net cash flows to investing activities were $308 million, reflecting capital expenditures of $310 million, offset slightly by net proceeds from asset dispositions. Net cash flows to financing activities of $151 million primarily reflect $207 million used for stock repurchases and $20 million used for cash dividends, partially offset by a $74 million increase in debt.

Receivables increased slightly to $362 million as of September 30, 2000, from $361 million as of December 31, 1999. Inventories increased to $282 million from $256 million, and accounts payable rose to $211 million from $172 million. These variations reflect normal seasonal fluctuations. In the third quarter of 2000, $150 million of 9.25% senior notes due 2001 were reclassified from long-term debt to current liabilities due to their maturity in less than one year.

DEBT
As of September 30, 2000, total debt amounted to $667 million, up $74 million from December 31, 1999. This increase reflects $127 million of industrial revenue bonds issued in connection with USG's capital spending program, partially offset by repayments of $30 million on the accounts receivable facility, $19 million on the credit facilities and $4 million on various notes payable.

AVAILABLE LIQUIDITY
The Corporation has additional liquidity available through several financing arrangements. In the second quarter of 2000, USG entered into new revolving credit facilities totaling $600 million with a syndicate of banks. A five-year, multi-currency revolving credit facility permits the Corporation to borrow up to $400 million, including borrowing capacity for its Canadian subsidiaries of up to $75 million in equivalent Canadian dollars. In addition, a $200 million, 364-day facility was executed. These facilities replaced the $500 million U.S. and C$110 million Canadian revolving credit facilities that were scheduled to mature in 2002. USG also maintains a $20 million revolving credit facility in Europe. As of September 30, 2000, total outstanding revolving loans amounted to $52 million and letters of credit issued and outstanding amounted to $16 million, leaving the Corporation with $552 million of unused and available credit.

USG had additional borrowing capacity of $80 million as of September 30, 2000, under a revolving accounts receivable facility (see Note 8). A shelf registration statement filed with the Securities and Exchange Commission allows the Corporation to offer from time to time debt securities, shares of preferred and common stock or warrants to purchase shares of common stock, all having an aggregate initial offering price not to exceed $300 million. As of the date of this report, no securities had been issued pursuant to this registration.

OTHER MATTERS

EURO CURRENCY CONVERSION
Effective January 1, 1999, 11 of the 15 countries that are members of the European Union introduced a new, single currency unit, the euro. Prior to full implementation of the new currency for the participating countries on January 1, 2002, there is a three-year transition period during which parties may use either the existing currencies or the euro. However, during the transition period, all exchanges between currencies of the participating countries are required to be first converted through the euro.

USG has conducted a comprehensive analysis to address the euro currency issue. USG's efforts are focused on two phases. The first phase addresses USG's

European operations during the transition period. The second phase covers full conversion of these operations to the euro. The Corporation was ready for the transition period that began on January 1, 1999, and expects to be ready for full conversion by January 1, 2002, the mandatory conversion date. USG also is prepared to deal with its critical suppliers and customers during the transition period and will communicate with them as appropriate. The Corporation does not expect the introduction of the euro currency to have a material adverse impact on its business, results of operations or financial position.

LEGAL CONTINGENCIES
One of the Corporation's subsidiaries, U.S. Gypsum, is a defendant in asbestos lawsuits alleging both property damage and personal injury. In the third quarter of 2000, U.S. Gypsum recorded a charge of $27.0 million, reflecting new filings during the quarter. This compares to a $20.0 million charge taken in the third quarter of 1999. Accrued asbestos charges for the first nine months of 2000 total $77.0 million compared with $62.5 million for the same period in 1999. Asbestos charges to results of operations were higher in 1999 and 2000 than 1998 because the estimated cost of resolving cases pending during 1998 will, when expended, consume all of U.S. Gypsum's remaining insurance; as a result, the estimated liability from new case filings is currently being charged against reported earnings.

Accordingly, the Company expects that additional periodic charges will be necessary in the future, in amounts that could be higher or lower than recent quarters, and which could be material to the period in which they are taken. The amount of future periodic charges will depend upon factors that include, but may not be limited to, the rate at which new asbestos-related claims are filed, the potential imposition of medical criteria, the impact of reductions and potential future reductions in membership of the Center for Claims Resolution (the "Center"), the continued solvency of other defendants and the impact of recent and possible future bankruptcies of other defendants, changes in U.S. Gypsum's settlement cost and the estimated cost of resolving pending claims, and the necessity of higher-cost settlements in particular jurisdictions. In addition, U.S. Gypsum continues to evaluate whether its probable liability for future Personal Injury Cases can be reasonably estimated. The ability to make such an

-17-

18

estimate requires an assessment of the impact on future case filings and settlement values of the uncertainties identified above, including the outcome and status of negotiations currently underway between the Center and certain plaintiffs' firms concerning settlements that would, among other things, apply medical criteria to the firm's future Personal Injury Cases. When such an estimate can be made, an additional charge to results of operations will be necessary. Although the timing and amount of the resulting charge cannot presently be determined with certainty, the charge may be taken in the fourth quarter of 2000 and the amount is expected to be material to results of operations and stockholders' equity in the period in which it is taken.

The amount of such charges and the impact of the asbestos litigation on the Corporation's liquidity and financial position may be affected by recent bankruptcies of other defendants and any further bankruptcies of other defendants, particularly current or former members of the Center. However, it is management's opinion, taking into account currently available information concerning U.S. Gypsum's liabilities, reserves and probable insurance coverage, that the asbestos litigation will not have a material adverse effect on the liquidity or financial position of the Corporation. See Part II, Item 1. "Legal Proceedings" for additional information on asbestos litigation.

The Corporation and certain of its subsidiaries have been notified by state and federal environmental protection agencies of possible involvement as one of numerous "potentially responsible parties" in a number of so-called "Superfund" sites in the United States. The Corporation believes that neither these matters nor any other known governmental proceeding regarding environmental matters will have a material adverse effect upon its results of operations or financial position. See Part II, Item 1. "Legal Proceedings" for additional information on environmental litigation.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements related to management's expectations about future conditions. Actual business or other conditions may differ significantly from management's expectations and accordingly affect the Corporation's sales and profitability or other results. Actual results may differ due to factors over which the Corporation has no control, including economic activity such as new housing construction, interest rates and consumer confidence; competitive activity such as price and product competition; increases in raw material and energy costs; euro currency issues such as the ability and willingness of third parties to convert affected systems in a timely manner and the actions of governmental agencies or other third parties; and the outcome of contested asbestos-related litigation, the rate of new asbestos-related filings, the solvency of co-defendants in the asbestos-related litigation and the other factors described herein. The Corporation assumes no obligation to update any forward-looking information contained in this report.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of USG Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of USG CORPORATION (a Delaware corporation) AND SUBSIDIARIES as of September 30, 2000, and the related condensed consolidated statements of earnings for the three-month and nine-month periods ended September 30, 2000 and 1999 and the condensed consolidated statement of cash flows for the nine-month periods ended September 30, 2000 and 1999. These financial statements are the responsibility of the Corporation's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
October 17, 2000

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ASBESTOS AND RELATED INSURANCE LITIGATION

One of the Corporation's subsidiaries, U.S. Gypsum, is among many defendants in lawsuits arising out of the manufacture and sale of asbestos-containing materials. U.S. Gypsum sold certain asbestos-containing products beginning in the 1930's; in most cases, the products were discontinued or asbestos was removed from the formula by 1972, and no asbestos-containing products were produced after 1977. Some of these lawsuits seek to recover compensatory and in many cases punitive damages for costs associated with the maintenance or removal and replacement of asbestos-containing products in buildings (the "Property Damage Cases"). Others seek compensatory and in many cases punitive damages for personal injury allegedly resulting from exposure to asbestos-containing products (the "Personal Injury Cases"). It is anticipated that additional asbestos-related suits will be filed.

SUMMARY - The following is a brief summary; see Note 16 to the financial statements in the Corporation's 1999 Annual Report for additional information about the asbestos litigation.

U.S. Gypsum is a defendant in 10 Property Damage Cases, many of which involve multiple buildings. One of the cases is a conditionally certified class action comprised of all colleges and universities in the United States, which certification is presently limited to the resolution of certain allegedly "common" liability issues. (Central Wesleyan College v. W.R. Grace & Co., et al., U.S.D.C.S.C.). During the years 1997-1999, three new Property Damage Cases were filed against U.S. Gypsum while 16 were closed; the Company spent an average of $14 million per year on the defense and settlement of Property Damage Cases, but received a total of $61.5 million over the three-year period from insurance carriers, including reimbursement for expenditures in prior years. No new Property Damage Cases have been filed against U. S. Gypsum for more than two years.

U.S. Gypsum's estimated cost of resolving pending Property Damage Cases is discussed below. (See "Estimated Cost.")

U.S. Gypsum is also a defendant in Personal Injury Cases brought by approximately 83,800 claimants, as well as an additional 65,000 claims that have been settled but will be closed over time. U. S. Gypsum was named in approximately 15,000 new Personal Injury Cases in the third quarter of 2000, 15,300 in the second quarter and 12,300 in the first quarter. Filings of new Personal Injury Cases totaled approximately 48,000 claims in 1999, compared to 80,000 claims in 1998 and 23,500 claims in 1997. The Company believes that the higher rate of personal injury case filings in 1998 resulted, at least in part, from a Supreme Court ruling striking down a class action settlement that included an injunction against the filing of

certain Personal Injury Cases from September 1994 until July 1997. It is anticipated that Personal Injury Cases will continue to be filed in substantial numbers for the foreseeable future, although the percentage of such cases filed by claimants with little or no physical impairment is expected to remain high. During the years 1997-1999, U.S. Gypsum expended an average of $64.2 million per year on Personal Injury Cases (including $100 million in 1999), of which an average of $52 million ($85 million in 1999) was paid by insurance.

U.S. Gypsum is a member, together with 14 other former producers of asbestos-containing products, of the Center for Claims Resolution (the "Center"), which has assumed the handling of all Personal Injury Cases pending against U.S. Gypsum and the other members of the Center. Costs of defense and settlement are shared among the members of the Center pursuant to predetermined sharing formulae. Most of U.S. Gypsum's personal injury liability and defense costs have been paid by insurance, but current and future costs will be paid largely by U.S. Gypsum due to exhaustion of most available insurance.

U.S. Gypsum and other Center members are pursing alternatives to the current tort system, including settlements with plaintiffs' firms that include agreements to resolve over time the firms' pending claims, as well as the firms' agreement to recommend to their future clients that they defer filing, or accept nominal payments on, personal injury claims that do not meet established disease criteria. The Center reached several such agreements in 1999 and 2000 and will continue to attempt to negotiate similar agreements in the future. These agreements typically resolve claims for amounts consistent with historical per-claim settlement costs. However, settlement costs for cases resolved outside such agreements have been increasing, reflecting higher settlement demands to all defendants for more serious cases, particularly in certain jurisdictions, as well as the impact of the reductions in membership of the Center described below.

During 1999, three companies and an asbestos claims trust left the Center and the membership of another company was terminated by the Center's Board. The terminated member and the asbestos claims trust have refused to pay their share of certain settlements agreed to by the Center while they were members. Although to date plaintiffs in such cases have been successful in obtaining orders requiring the terminated former member to pay its share of the settlements, continued defaults may increase the cost of resolving these cases for the remaining Center members, including U.S. Gypsum. In some cases, plaintiffs may argue that the remaining Center members are required to fund the entire settlement; there are strong defenses to such claims. In other cases, the plaintiffs have certain rights to nullify the settlement as to any unpaid portion. In addition, if one or more additional members of the Center that pay significant shares of settlement and defense costs either withdraw, become insolvent or file a bankruptcy petition, it is possible that the viability of the Center and its settlement program will be jeopardized. Such a development would be likely to increase U.S. Gypsum's costs of resolving the cases. During 2000, three defendants in the Personal Injury Cases (not members of the Center) have filed bankruptcy petitions, and it is possible that others may also file. The

-21-

22

absence of these defendants from the litigation is likely to increase the cost of resolving Personal Injury Cases for other defendants, including U. S. Gypsum and the remaining Center members. The amount of the potential increased costs and other adverse impacts that would result from the above developments cannot presently be ascertained.

U.S. Gypsum's estimated cost of resolving pending Personal Injury Cases is discussed below. (See "Estimated Cost.")

U.S. Gypsum sued its insurance carriers in 1983 to obtain coverage for asbestos cases (the "Coverage Action") and has settled all disputes with its solvent carriers. As of September 30, 2000, after deducting insolvent coverage and insurance paid out to date, approximately $66 million of insurance remained with carriers that have agreed, subject to certain limitations and conditions, to cover asbestos-related costs. In addition, U.S. Gypsum is pursuing claims for reimbursement from estates of certain insolvent carriers and may recover additional reimbursement in amounts that are presently indeterminable but are not expected to be material.

Through September 30, U. S. Gypsum's asbestos payments for the first nine months of 2000 were approximately $125 million, or $43 million after insurance reimbursement. Insurance payments to U.S. Gypsum for all asbestos-related matters, including property damage, personal injury, insurance coverage litigation and related expenses, exceeded asbestos-related expenses by $6 million for 1999 and $0.7 million in 1997 due primarily to nonrecurring reimbursement for amounts expended in prior years. However, U.S. Gypsum's total asbestos-related expenditures exceeded aggregate insurance payments by $24 million in 1998.

ESTIMATED COST - The asbestos litigation involves numerous uncertainties that affect U.S. Gypsum's ability to estimate reliably its probable liability in the Personal Injury and Property Damage Cases. In the Property Damage Cases, such uncertainties include, but may not be limited to, the identification and volume of asbestos-containing products in the buildings at issue in each case, which is often disputed; the claimed damages associated therewith; the viability of statute of limitations, product identification and other defenses, which varies depending upon the facts and jurisdiction of each case; the amount for which such cases can be resolved, which normally (but not uniformly) has been substantially lower than the claimed damages; and the viability of claims for punitive and other forms of multiple damages. Uncertainties in the Personal Injury Cases include, but may not be limited to the number, characteristics and venue of Personal Injury Cases that are filed against U.S. Gypsum; the Center's continued viability in its present form and its ability to continue to resolve claims at historical or acceptable levels; the level of physical impairment of claimants; the viability of claims for conspiracy or punitive damages; the effect of recent reductions in membership in the Center and any future reductions in Center membership on the Center and its settlement program; the continued solvency of other defendants and the impact of recent and possible future bankruptcies of

other defendants; the refusal of the former Center members described above to fund their share of existing settlements; and the continued ability to negotiate settlements or develop other mechanisms that defer or reduce claims from unimpaired claimants. As a result, any estimate of U.S. Gypsum's liability, while based upon the best information currently available, may not be an accurate prediction of actual costs and is subject to revision as additional information becomes available and developments occur.

Subject to the above uncertainties, and based in part on information provided by the Center, U.S. Gypsum estimates that it is probable that Property Damage and Personal Injury Cases pending at September 30, 2000, can be resolved for an amount totaling between $315 million and $490 million, including defense costs. Most of these amounts are expected to be expended over the next two to five years. Insurance funding is available for a portion of these costs, as detailed below, although resolution of the pending cases will consume U.S. Gypsum's remaining insurance. At this time, U.S. Gypsum does not believe that the number and severity of asbestos-related cases that ultimately will be filed in the future can be predicted with sufficient accuracy to provide the basis for a reasonable estimate of the liability that will be associated with such cases, although, as noted below, the Company is actively engaged in examining the feasibility of such an estimate with the objective of providing such information when possible.

Accounting for Asbestos Liability: As of September 30, 2000, U.S. Gypsum had reserved $315 million for liability from pending Property Damage and Personal Injury Cases (equaling the lower end of the estimated range of costs provided above). U.S. Gypsum had a corresponding receivable from insurance carriers of approximately $66 million, the estimated portion of the reserved amount that is expected to be paid or reimbursed by insurance. As of September 30, 2000, U.S. Gypsum had an additional $32 million reserved for asbestos liabilities and asbestos-related expenses.

U.S. Gypsum compares its estimates of liability to then-existing reserves and available insurance assets and from time to time adjusts its reserves as appropriate. U.S. Gypsum charged results of operations a total of $26 million in 1998 and $80.5 million in 1999 for asbestos-related costs, based largely on new filings during those years. In the quarters ended March 31, June 30, and September 30, 2000, the Company accrued charges of $22 million, $28 million, and $27 million, respectively, reflecting new filings during those quarters. Asbestos charges to results of operations were higher in 1999 and 2000 than 1998 because the estimated cost of resolving cases pending during 1998 will, when expended, consume all of U.S. Gypsum's remaining insurance; as a result, the estimated liability from new case filings is currently being charged against reported earnings. Accordingly, the Company expects that additional periodic charges will be necessary in the future, in amounts that could be higher or lower than recent quarters, and which could be material to the period in which they are taken. The amount of future periodic charges will depend upon factors that include, but may not be limited to, the rate at which new asbestos-related claims are filed, the

potential imposition of medical criteria, the impact of reductions in membership of the Center, the continued solvency of other defendants, changes in U.S. Gypsum's settlement cost and the estimated cost of resolving pending claims, and the necessity of higher-cost settlements in particular jurisdictions.

In addition, U.S. Gypsum continues to evaluate whether its probable liability for future Personal Injury Cases can be reasonably estimated. The ability to make such an estimate requires an assessment of the impact on future case filings and settlement values of the uncertainties identified above, including the outcome and status of negotiations currently underway between the Center and certain plaintiffs' firms concerning settlements that would, among other things, apply medical criteria to the firms' future Personal Injury Cases. When such an estimate can be made, an additional charge to results of operations will be necessary. Although the timing and amount of the resulting charge cannot presently be determined with certainty, the charge may be taken in the fourth quarter of 2000, and the amount is expected to be material to the Corporation's results of operations and stockholders' equity in the period in which it is taken.

CONCLUSION - The above estimates and reserves are re-evaluated periodically as additional information becomes available. Additional charges to results of operations will be necessary in light of future events, and such charges are expected to be material to results of operations and stockholders' equity in the period in which they are taken. The amount of such charges, and the impact of the asbestos litigation on the Corporation's liquidity and financial position, may be affected by recent bankruptcies of other defendants and any further bankruptcies of other defendants, particularly current or former members of the Center. However, it is management's opinion, taking into account currently available information concerning U.S. Gypsum's liabilities, reserves and probable insurance coverage, that the asbestos litigation will not have a material adverse effect on the liquidity or financial position of the Corporation.

ENVIRONMENTAL LITIGATION

The Corporation and certain of its subsidiaries have been notified by state and federal environmental protection agencies of possible involvement as one of numerous "potentially responsible parties" in a number of so-called "Superfund" sites in the United States. In most of these sites, the involvement of the Corporation or its subsidiaries is expected to be minimal. The Corporation believes that appropriate reserves have been established for its potential liability in connection with all Superfund sites but continuously reviews its accruals as additional information becomes available. Such reserves take into account all known or estimated costs associated with these sites, including site investigations and feasibility costs, site cleanup and remediation, legal costs, and fines and penalties, if any. In addition, environmental costs connected with site cleanups on USG-owned property also are covered by reserves established in accordance with the foregoing. The Corporation believes that neither these matters nor any other known governmental proceeding regarding environmental matters will have a material adverse effect upon its results of operations or financial position.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(4a) Amended and Restated By-laws of USG Corporation, dated as of September 22, 2000.
(10a) Second Amendment to Management Performance Plan, dated as of June 27, 2000.
(10b) First Amendment to 1995 Long-Term Equity Plan of USG Corporation, dated as of June 27, 2000.
(10c) Second Amendment to Omnibus Management Incentive Plan of USG Corporation, dated as of June 27, 2000.
(15) Letter from Arthur Andersen LLP regarding unaudited financial information.
(27) Financial Data Schedule.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USG CORPORATION

By /s/ Dean H. Goossen

Dean H. Goossen,
Corporate Secretary,
USG Corporation

By /s/ Raymond T. Belz

November 6, 2000

Raymond T. Belz,
Senior Vice President and Controller,
USG Corporation

1

EXHIBIT (4a)

BY-LAWS

OF

USG CORPORATION

(DELAWARE)

AS OF SEPTEMBER 22, 2000

2

BY-LAWS
OF
USG CORPORATION

ARTICLE I

OFFICES

The principal office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle. The corporation may have such other offices, either within or without the State of Delaware, as the business of the corporation may require from time to time.

ARTICLE II

STOCKHOLDERS

ANNUAL MEETING

Section 1. The date and time of the annual meetings of stockholders shall be determined by or under the authority of the board of directors as permitted by law for the purpose of electing directors and the transaction of such other business as may properly come before the meeting. If the election of directors shall not be held on the date designated for any such annual meeting or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as conveniently may be.

SPECIAL MEETINGS

Section 2. Special meetings of the stockholders may be called at any time by the chief executive officer of the corporation or by the corporate secretary upon a request in writing of a majority of the board of directors. Such request shall state the purpose or purposes of the proposed meeting.

PLACE OF MEETINGS

Section 3. All meetings of the stockholders for the election of directors shall be held in the City of Chicago, State of Illinois, or at such other place as may be fixed from time to time by the board of directors. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

-2-

3

NOTICE OF MEETINGS

Section 4. Written notice stating the place, day and hour of the meeting, and in the case of a special meeting the purpose or purposes for which the meeting is called, shall be given by mail to each stockholder entitled to vote thereat not less than ten (10) days, nor more than sixty (60) days before the date of the meeting. Such notice, when mailed, shall be deemed to be delivered when deposited in the United States mail in a sealed envelope addressed to the stockholder at his address as it appears on the records of the corporation, with postage prepaid.

QUORUM, VOTE AND PROCEDURES

Section 5. (a) The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally scheduled.

(b) When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

(c) The conduct of all meetings of the stockholders generally shall be in accordance with customary rules of parliamentary procedure. Subject to the requirements of Sections 11 and 12 of this Article II, any matter to be presented for consideration and with a view to obtaining a vote thereon at any such meeting shall be introduced by a motion, and any such motion shall be seconded before such consideration may begin or before any such vote may be obtained.

-3-

4

ORGANIZATION OF MEETING

Section 6. The chairman of the board of directors, or in his absence the president of the corporation, or in his absence the vice chairmen of the corporation in the chronological order of their election to that office, or in their absence the executive vice presidents, senior vice presidents, or vice presidents in that order and in order of their election, shall preside as chairman of all meetings of the stockholders. In the absence of all such persons, the meeting shall select, by majority vote, a stockholder present at the meeting to act as chairman. The corporate secretary of the corporation, or in his absence an assistant secretary, shall act as secretary of all meetings of the stockholders, and in the absence of the corporate secretary or an assistant secretary, the chairman shall appoint some other person to act as secretary of the meeting.

VOTING OF STOCK

Section 7. On each matter submitted to a vote at a meeting of the stockholders, each holder of common stock shall be entitled to one vote in person or by proxy for each share of common stock held by the stockholder. No proxy shall be voted after three years from its date unless otherwise provided in the proxy, and, except where the transfer books of the corporation have been closed or a date has been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted at any election for directors which has been transferred on the books of the corporation within twenty (20) days next preceding such election of directors. In all elections for directors each stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected.

VOTING OF SHARES BY CERTAIN HOLDERS

Section 8. (a) Each share standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the by-laws of such corporation may prescribe or, in the absence of such by-law provisions, as the board of directors of such corporation may determine.

(b) Shares standing in the name of a deceased person may be voted by his administrator or executor either in person or by proxy. Persons holding stock in a fiduciary capacity may vote the shares so held in person or by proxy. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed. A stockholder whose shares are pledged shall be entitled to vote such shares in person or by proxy, unless in the transfer by the pledgor on the books of the corporation he has expressly empowered the pledgee to vote thereon, in which case only the pledgee or his proxy may represent the stock and vote thereon.

(c) Shares of stock of this corporation belonging to the corporation shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time, but such shares held by the corporation in a fiduciary capacity

-4-

5

may be voted and shall be counted in determining the total number of outstanding shares at any given time.

VOTING LISTS

Section 9. The officer or agent having charge of the stock ledger for the shares of the corporation shall prepare and make, at least ten (10) days before each meeting of the stockholders at which directors are to be elected, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order with the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder during ordinary business hours for a period of at least ten (10) days prior to such meeting at the place where the meeting is to be held or at the office of the corporation in Chicago, Illinois. Such list shall be produced and kept at the time and place of the meeting during the whole time thereof and shall be subject to the inspection of any stockholder who may be present. The original stock ledger shall be prima facie evidence as to who are the stockholders entitled to examine such stock ledger and to vote at any meeting of the stockholders.

CLOSING OF TRANSFER BOOKS

Section 10. The board of directors may close the stock transfer books of the corporation for a period not exceeding sixty (60) days preceding the date of any meeting of stockholders or the date of payment of any dividend, or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, or for a period not exceeding sixty (60) days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the board of directors may fix in advance a date, not exceeding sixty (60) days preceding the date of any meeting of stockholders, or the date of the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

ADVANCE NOTICE OF NOMINATIONS

Section 11. Subject to such rights of the holders of any class or series of preferred stock as shall be prescribed in the Restated Certificate of Incorporation or in the resolutions of the Board of Directors providing for the issuance of any such class or series, only persons who are nominated in accordance with the procedures set forth in this Section 11 shall be eligible for

-5-

6

election as, and to serve as, directors. Nominations of persons for election to the Board of Directors may be made at a meeting of the stockholders at which directors are to be elected (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation entitled to vote at such meeting in the election of directors who complies with the requirements of this Section 11. Such nominations, other than those made by or at the direction of the Board of Directors, shall be preceded by timely advance notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth (x) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the number of shares of each class of capital stock of the Corporation beneficially owned by such person, and (iv) the written consent of such person to having such person's name placed in nomination at the meeting and to serve as a director if elected, and (y) as to the stockholder giving the notice, (i) the name and address, as they appear on the Corporation's books, of such stockholder, and (ii) the number of shares of each class of voting stock of the Corporation which are then beneficially owned by the stockholder. The presiding officer of the meeting of stockholders shall determine whether the requirements of this Section 11 have been met with respect to any nomination or intended nomination. If the presiding officer determines that any nomination was not made in accordance with the requirements of this Section 11, he or she shall so declare at the meeting and the defective nomination shall be disregarded.

ADVANCE NOTICE OF STOCKHOLDER PROPOSALS

Section 12. At an annual meeting of stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been brought before the annual meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who complies with the requirements of this Section 12 and as shall otherwise be proper subjects for stockholder action and shall be properly introduced at the meeting. For a proposal to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely advance notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days

7

before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (w) a description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (x) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and any other stockholders known by such stockholder to be supporting such proposal, (y) the class and number of shares of the Corporation's stock which are beneficially owned by the stockholder on the date of such notice and (z) any financial interest of the stockholder in such proposal. The presiding officer of the annual meeting shall determine whether the requirements of this Section 12 have been met with respect to any stockholder proposal. If the presiding officer determines that a stockholder proposal was not made in accordance with the terms of this Section 12, he or she shall so declare at the meeting and any such proposal shall not be acted upon at the meeting.

At a special meeting of stockholders, only such business shall be acted upon as shall have been set forth in the notice relating to the meeting or as shall constitute matters incident to the conduct of the meeting as the presiding officer of the meeting shall determine to be appropriate.

ARTICLE III

DIRECTORS

GENERAL POWERS

Section 1. The business and affairs of the corporation shall be managed by a board of directors which may exercise all the powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed and required to be exercised or done by the stockholders.

NUMBER, CLASSES, AND QUALIFICATIONS

Section 2. The number of directors which shall constitute the whole board shall be not less than three (3) nor more than seventeen (17) and shall be divided into three classes, as nearly equal in number as may be. Subject to the above limits, the number and classes of directors shall be determined from time to time by resolution of the board of directors. At each annual meeting after the initial classification and election of directors, directors shall be elected to fill all seats in the class whose term expires at such annual meeting and each director so elected shall hold office for a term expiring at the third annual meeting of stockholders after election as director and until a successor

8

shall be duly elected and qualified. No non-employee director shall serve as such beyond the first annual meeting of stockholders following that director's 70th birthday nor while such person is an owner, member, or employee of or affiliated or associated with a professional firm or enterprise providing legal, accounting, or auditing services or advice to the corporation or any of its subsidiaries. A non-employee director shall report to the board or any appropriate committee thereof any significant change in such director's principal business, occupation, or position and shall consult with the board or any such committee concerning the possible effect of such change on continued service as a director. No officer-director shall serve as a director beyond the date such person ceases to be an officer. Directors need not be stockholders.

VACANCIES

Section 3. Newly created directorships resulting from any increase in the authorized number of directors and vacancies in the board of directors from death, resignation, retirement, disqualification, removal from office or other cause, shall be filled by a majority vote of the directors then in office, and each director so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of the class to which he or she shall have been elected expires, and until his or her successor shall be duly elected and qualified.

REGULAR MEETINGS

Section 4. Regular meetings of the board of directors shall be held immediately after the annual meeting of stockholders in each year and on the second Wednesday in each of the months of February, August, and November in each year and also on the fourth Friday in each of the months of March and September in each year. If the day fixed for any such regular meeting shall be a legal holiday, the meeting scheduled for that day shall be held on the next succeeding business day which is not a legal holiday. The date and time of any such regular meeting may be changed as the Board of Directors may from time to time determine by resolution.

SPECIAL MEETINGS

Section 5. Special meetings of the board of directors may be called at any time by the chief executive officer of the corporation, or by the corporate secretary upon the request of not less than one-third (1/3rd) of the directors then in office.

PLACE OF MEETINGS

Section 6. All meetings of the board of directors, whether regular or special, shall be held at the office of the corporation in Chicago, Illinois; provided, however, that any meeting, whether regular or special, may be held at such other place as the board of directors may from time to time determine by resolution or as may be fixed in a notice of the meeting or as may be fixed in any waiver of notice signed by all of the directors.

NOTICE OF MEETINGS

-8-

9

Section 7. No notice of the holding of any regular meeting of the board of directors is required. Written notice of any special meeting shall be given by mail to each director not less than five (5) days before the date of the meeting, or by telegram, cable, telephone facsimile or electronic mail not less than two (2) days before the date of the meeting, or by telephone not less than twenty-four (24) hours before the time of the meeting, with confirmation of notice by telegram, cable, telephone facsimile or electronic mail, to be sent promptly. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, in a sealed envelope addressed to the director at his address as it appears on the records of the corporation, with postage prepaid. If such notice is given by telegram, cable, telephone facsimile, or electronic mail, the same shall be deemed to be delivered when delivered to any telegraph company with charges prepaid and addressed to the director at his address as it appears on the records of the corporation or when placed on telephone lines for facsimile transmittal or electronic mail to the director. Attendance of any director at any special meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any special meeting of the board of directors need be stated in the notice or waiver of notice of such meeting.

QUORUM

Section 8. A majority of the board of directors shall constitute a quorum for the transaction of business, but if at any meeting of the board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. The affirmative vote of a majority of all directors shall be necessary for the passage of any resolution unless a greater vote is required in these by-laws or the certificate of incorporation.

ORGANIZATION OF MEETING

Section 9. At meetings of the board of directors, the chairman of the board, or in his absence the president, or in his absence the vice chairmen of the corporation in the chronological order of their election to that office, shall preside as chairman of the meeting. In the absence of all of them, the meeting shall elect a director, present at the meeting, to act as chairman. The corporate secretary of the corporation, or in his absence an assistant secretary, shall act as secretary of all meetings of the board of directors and, in the absence of all such persons, the chairman of the meeting shall appoint some other person to act as secretary of the meeting.

COMPENSATION OF DIRECTORS

Section 10. Each director not otherwise employed by the corporation or an affiliated corporation shall be entitled to be paid expenses, if any, of attendance at such meetings and such remuneration as the board of directors may from time to time determine.

-9-

10

ARTICLE IV

COMMITTEES OF DIRECTORS

DESIGNATION OF STANDING COMMITTEES

Section 1. The corporation shall have the following standing committees:

(a) An Executive Committee which shall have and may exercise all the authority of the board of directors during the intervals between meetings of the board of directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. The committee shall consist of not less than four members of the board of directors and shall include the chairman of the board of directors and the president and/or a vice chairman as members.

(b) A Compensation and Organization Committee which shall have the duty to review and to make recommendations to the board of directors with respect to management organization, succession and development programs, the election of corporate officers and their salaries and incentive compensation or bonus awards; to make the decisions required by a committee of the board of directors under all stock option and restricted stock and deferred stock plans; and 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. The committee shall consist of not less than four members of the board of directors who are not officers or employees of the corporation.

(c) An Audit Committee which shall have ongoing responsibilities to assist the Board of Directors in monitoring the integrity of the financial statements of the Corporation, the Corporation's compliance with financial reporting, legal and statutory requirements, and the independence and performance of the Corporation's internal and external auditors. The Audit Committee additionally shall select and employ on behalf of the Corporation, subject to ratification by the stockholders, and approve the fees of, a firm of certified public accountants whose duty shall be to audit the books and accounts of the Corporation and its subsidiaries and affiliates for the fiscal year for which it is appointed, and which firm shall ultimately be accountable to the Committee and the Board of Directors. Such Committee shall also retain special legal, accounting or other consultants to advise it as it shall determine, and may request any officer or employee of the Corporation or its outside counsel or independent auditor to meet with it, individually or jointly, or any of its consultants. The Committee periodically shall report and make appropriate recommendations to the Board of Directors. It shall consist of not less than three members of the Board of Directors who are not officers or employees of the Corporation and who meet the independence, financial literacy and experience requirements of the New York Stock Exchange and Securities and Exchange Commission. Such members shall be appointed by the Board of Directors on the recommendation of the Committee on Directors."

-10-

11

(d) A Committee on Directors which shall study and make recommendations to the board of directors concerning the size and composition of the board and committees of the board, recommend nominees for election or reelection as directors, and consider other matters pertaining to board membership such as retirement policy and compensation of non-employee directors. The Committee shall be responsible for evaluating board performance and reporting its findings to the board of directors and for reviewing and recommending changes to the corporation's corporate governance guidelines. Directors who are not officers or employees of the corporation and whose terms continue after the next annual meeting will be designated to serve on this committee.

(e) A Finance Committee which shall provide review and oversight of and make recommendations to the board of directors on the corporation's financing requirements and programs to obtain funds; relations with banks, bondholders and other creditors, and equity holders; operating and capital expenditure budgets; dividend policy; and acquisitions, divestitures and significant transactions affecting the corporation's capital structure or ownership. The Committee shall confer with the Pension and Investment Committee established under the corporation's retirement plan and report periodically to the board of directors on the funding of qualified pension plans of the corporation and its subsidiaries and the investment performance of plan funds and, on behalf of the board of directors, authorize necessary or desirable changes in actuarial assumptions for funding the plans. The Committee shall consider such other matters as may be referred to it from time to time by the board of directors.

(f) A Corporate Affairs Committee which shall review and recommend policies and programs which are important in maintaining a sound position with those various publics whose understanding and goodwill are necessary to the corporation's success. The committee shall report periodically to the board of directors on the corporation's activities in fulfilling its social responsibilities and complying with public policy, including environmental compliance, employee safety and occupational health, equal employment opportunity, product safety, corporate contributions, and the relationship of the corporation to the communities in which it operates. The committee shall consist of not fewer than three members of the board of directors who are not officers or employees of the corporation.

OTHER COMMITTEES OF DIRECTORS

Section 2. The board of directors may, by resolution passed by a majority of the whole board, designate from time to time other committees of the board of directors of such number of directors and with such powers as the board of directors may by resolution determine.

APPOINTMENT OF COMMITTEE MEMBERS

Section 3. The board of directors at its meeting following the annual meeting of stockholders shall designate the directors to constitute the membership of each standing committee and the chairman thereof, and such directors shall serve until the directors' meeting following the next annual meeting of stockholders; provided, however, that vacancies during the year on any standing committee shall be filled by the board of directors so that the membership of each committee shall be

-11-

12

filled at all times; and provided further that in the absence or disqualification of any member of a committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of the absent or disqualified member.

MEETINGS--QUORUM

Section 4. Meetings of each committee may be called by its chairman or by any two members of the committee or by the chief executive officer of the corporation or by resolution of the board of directors. Each such committee shall fix its own rules of procedure. The presence of a majority of the members of a committee shall be necessary to constitute a quorum for the transaction of business, and the affirmative vote of a majority of all the members of the committee shall be necessary for the adoption of any resolution or the taking of any action. Each committee shall report to the board of directors all actions of the committee at the next directors' meeting following any meeting of any such committee. Regular minutes of the proceedings of each committee shall be kept in a book provided for that purpose.

-12-

13

REMUNERATION OF COMMITTEE MEMBERS

Section 5. Members of each committee not regularly employed by the corporation or an affiliated corporation shall be entitled to expenses, if any, of attendance at such meetings and such remuneration as may be determined by resolution of the board of directors.

ARTICLE V

OFFICERS

GENERAL PROVISIONS

Section 1. The officers of the corporation shall be a chairman of the board of directors, a president, a treasurer, and a corporate secretary, and such vice chairmen, executive vice presidents, senior vice presidents, vice presidents, assistant treasurers, assistant secretaries or other officers as may be elected or appointed by the board of directors. Either the chairman of the board of directors or the president shall be the chief executive officer. Either the president or an executive vice president shall be the chief operating officer. The chairman of the board of directors, the president, and the vice chairmen all shall be members of the board of directors. The officers shall have authority and perform duties as set forth in these by-laws or as prescribed by resolution adopted by the board of directors. The salaries and other compensation of officers shall be fixed by the board of directors.

ELECTION

Section 2. The officers of the corporation shall be elected annually by the board of directors at the first meeting of the board of directors held after each annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new officers created and filled at any meeting of the board of directors. Each officer shall hold office until his successor shall have been elected and shall have qualified or until his death, resignation or removal in the manner hereinafter provided, or until the board of directors shall by resolution determine that the office shall be left unfilled. The chairman of the board and the president shall be chosen from the members of the board of directors.

REMOVAL

Section 3. Any officer elected by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

-13-

14

THE CHAIRMAN OF THE BOARD OF DIRECTORS

Section 4. The chairman of the board of directors shall have general responsibility for the business and affairs of the corporation, subject to the control of the board of directors. Such officer shall preside at all meetings of the stockholders and of the board of directors of the corporation, shall have all other responsibilities incident to the office of chairman of the board of directors, and shall, by virtue of the office, be a member of the Executive Committee of the board of directors. Such officer additionally may, with the corporate secretary or an assistant secretary, sign certificates of capital stock and other securities of the corporation.

THE PRESIDENT

Section 5. The president shall have direct and active charge of the business and affairs of the corporation under the direction of the chairman of the board of directors and subject to the control of the board of directors. Such officer shall perform such other duties as may be delegated from time to time by the board of directors or the chairman thereof and shall have all other responsibilities incident to the office of president. Such officer additionally may, with the corporate secretary or an assistant secretary, sign certificates of capital stock and other securities of the corporation. In the event of the death or disability of the chairman of the board of directors, the president shall assume the responsibilities of chairman of the board of directors.

THE VICE CHAIRMEN

Section 6. If elected, the vice chairmen shall have the respective responsibilities incident to any other office or title conferred on them by the board of directors and such other responsibilities as may be assigned from time to time by the chairman of the board of directors. In the event of the death or disability of the chairman of the board of directors and the president, the vice chairmen in the chronological order of their election to that office shall assume the responsibilities of chairman of the board of directors.

THE CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER

Section 7. The chief executive officer shall have authority to approve basic policies, operating plans, and annual performance goals, subject to approval of the board of directors as required. Such officer shall assure uniform interpretation and administration of basic policies by all members of management and shall have responsibility for such financial, legal, and other administrative functions directly bearing on general corporate governance as are determined from time to time by the chairman of the board of directors, subject to approval of the board of directors as required. The chief operating officer shall assist the chief executive officer in formulating and implementing overall plans. Such officer shall have such responsibilities for management of general manufacturing, sales, product distribution, and directly related staff functions as are determined from time to time by the chairman of the board of directors.

-14-

15

THE EXECUTIVE VICE PRESIDENTS, THE SENIOR VICE PRESIDENTS, AND THE VICE PRESIDENTS

Section 8. If an executive vice president is elected and designated chief operating officer, such executive vice president shall, in the event of the death or disability of the president, assume the responsibilities of president. If no executive vice president is designated chief operating officer, then in the event of the death or disability of the president, first the executive vice presidents, then the senior vice presidents, then the vice presidents, each in chronological order of election, shall assume the responsibilities of president. The executive vice presidents, the senior vice presidents, and the vice presidents shall have such responsibilities and such other powers as the board of directors, the chairman of the board of directors, or the president from time to time shall prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 9. The treasurer shall have charge and custody of all funds and securities of the corporation, shall keep full and accurate accounts of the receipts and disbursements in books belonging to the corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be authorized from time to time by the board of directors. Such officer shall disburse the funds of the corporation as may be required in the conduct of the business and shall render to the chief executive officer and the board of directors, at the regular meetings of said board or whenever said board may require it, an account of all transactions as treasurer and of the financial condition of the corporation. If required by the board of directors, such officer shall give the corporation a bond in such form and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of the office. In general, such officer shall have the authority to perform all acts incident to the office of treasurer, subject to the control of the board of directors. The assistant treasurers, in the order of their election, shall, in the event of death or disability of the treasurer, assume the responsibilities of the treasurer and shall perform such other duties as the board of directors or the treasurer may from time to time prescribe or delegate.

THE CORPORATE SECRETARY AND ASSISTANT SECRETARIES

Section 10. The corporate secretary shall attend all meetings of the board of directors and all meetings of the stockholders, record all proceedings of the meetings of the board of directors and the stockholders in books to be kept for those purposes and shall perform like duties for any committee of the board of directors when requested. Such officer shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors and shall be the custodian of corporate records and the seal of the corporation. Such officer additionally shall have authority to affix the seal to any instrument requiring it and when so affixed, it may be attested by signature. The assistant secretaries, in the order of their election, shall, in the event of death or disability of the corporate secretary, assume the responsibilities of the corporate secretary and shall perform such other duties as the corporate secretary or the board of directors may from time to time prescribe.

-15-

16

VOTING SHARES OF OTHER CORPORATIONS

Section 11. Unless otherwise ordered by the board of directors, the chairman of the board of directors or such person as he may appoint shall have full power and authority, on behalf of the corporation, to attend any meetings of stockholders of any corporation in which this corporation may hold stock and to vote the shares held by this corporation at any such meeting, and at any such meeting to possess and exercise any and all rights and powers incident to the ownership of such shares.

ARTICLE VI

CERTIFICATES OF STOCK - DIVIDENDS

Section 1. (a) Every holder of stock in the corporation shall be entitled to have a certificate signed in the name of the corporation by the chairman of the board of directors or the president and the corporate secretary or an assistant secretary, certifying the number of shares owned by him in the corporation. If such certificate is countersigned (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

(b) All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares of the same class has been surrendered and canceled or properly accounted for in the case of a lost certificate.

TRANSFER OF SHARES

Section 2. Upon surrender to the corporation or transfer agent of the corporation of a certificate of shares duly endorsed and accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. The board of directors may appoint one or more transfer agents and registrars of transfer, and may require all stock certificates to bear the signature of a transfer agent and of a registrar of transfers.

REGISTERED STOCKHOLDERS

Section 3. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on

-16-

17

the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware or elsewhere in these by-laws.

DIVIDENDS

Section 4. Dividends upon the capital stock of the corporation, subject to the provisions, if any, of the certificate of incorporation, may be declared by the board of directors at any regular or special meeting pursuant to law. Dividends may be paid in cash, in property, or in shares of capital stock, subject to the provisions of the certificate of incorporation.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation (i) shall indemnify every person who is or was a director or officer of the corporation or is or was serving at the corporation's request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise; and (ii) shall, if the board of directors so directs, indemnify any person who is or was an employee or agent of the corporation or is or was serving at the corporation's request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise to the extent, in the manner, and subject to compliance with the applicable standards of conduct, provided by Section 145 of the General Corporation Law of the State of Delaware as the same (or any substitute provision therefor) may be in effect from time to time. Without limiting the foregoing, the corporation shall indemnify, and (subject to the receipt of any required undertaking to repay expenses) advance expenses to, every person who is a director of the corporation to the fullest extent permitted by law.

Such indemnification (i) shall not be deemed exclusive of any other rights to which any person seeking indemnification under or apart from this Article VII may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and (ii) shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VIII

GENERAL PROVISIONS

CHECKS

Section 1. All checks or demands for money and notes of the corporation shall be signed by such officer or officers, or such other person or persons, as the board of directors may from time to time designate.

FISCAL YEAR

Section 2. The fiscal year of the corporation shall begin on the first day of January of each year and end at the close of the last day of December in the same year.

SEAL

Section 3. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

WAIVER OF NOTICE

Section 4. Whenever any notice whatever is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE IX

AMENDMENTS

These by-laws may be amended or repealed (i) subject to Article TWELFTH of the corporation's Restated Certificate of Incorporation, by the affirmative vote of a majority of the total number of directors or (ii) by the affirmative vote of the holders of 80% of the voting power of the corporation's stock outstanding and entitled to vote thereon.

1

EXHIBIT (10a)

SECOND AMENDMENT
TO
MANAGEMENT PERFORMANCE PLAN
OF USG CORPORATION

SECOND AMENDMENT (this "Second Amendment"), to the Omnibus Management Performance Plan of USG Corporation originally approved by the stockholders of the Corporation on July 8, 1988, and amended on November 15, 1994 (collectively, the "Plan").

WHEREAS, the Compensation and Organization Committee of the Board of Directors of USG Corporation (the "Corporation") has approved an amendment to the Plan to impose additional conditions on certain awards under the Plan;

NOW, THEREFORE, in consideration of the premises, the Plan is hereby amended as set forth below:

1. The Plan is hereby amended by the addition of a new Section 6(f) consisting of two (2) sentences to read as follows:

   "In the event the Committee permits the surrender of previously-owned shares of Common Stock as payment for the exercise price of any award under the Plan, such shares shall have been beneficially owned by the grantee for not less than six (6) months and otherwise qualify as "mature" shares under Generally Accepted Accounting Principles. In the event the Committee permits the reduction of shares of Common Stock subject to any award under the Plan in order to satisfy tax withholding, such reduction may not exceed the then statutorily required rate of withholding."

2. Except as expressly amended and modified by this Second Amendment, the Plan is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, the Corporation has caused this Second Amendment to be executed by its officers thereunto duly authorized as of the 27th day of June, 2000

USG CORPORATION

By /s/ Peter K. Maitland

Peter K. Maitland
Vice President, Compensation,
Benefits and Administration

Attest:

/s/ Dean H. Goossen

Dean H. Goossen
Corporate Secretary

1

EXHIBIT (10b)

FIRST AMENDMENT
TO THE

1995 LONG-TERM EQUITY PLAN
OF USG CORPORATION

FIRST AMENDMENT (this "First Amendment"), to the 1995 Long-term Equity Plan of USG Corporation originally approved by the stockholders of the Corporation on May 10, 1995 (the "Plan").

WHEREAS, the Compensation and Organization Committee of the Board of Directors of USG Corporation (the "Corporation") has approved an amendment to the Plan to impose additional conditions on certain awards under the Plan;

NOW, THEREFORE, in consideration of the premises, the Plan is hereby amended as set forth below:

1. Section 8(e) of the Plan is hereby amended by the addition of the following two (2) sentences at the end thereof:

   "In the event the Committee permits the surrender of previously-owned shares of Common Stock as payment for the exercise price of any award under the Plan, such shares shall have been beneficially owned by the grantee for not less than six (6) months and otherwise qualify as "mature" shares under Generally Accepted Accounting Principles. In the event the Committee permits the reduction of shares of Common Stock subject to any award under the Plan in order to satisfy tax withholding, such reduction may not exceed the then statutorily required rate of withholding."

2. Except as expressly amended and modified by this First Amendment, the Plan is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, the Corporation has caused this First Amendment to be executed by its officers thereunto duly authorized as of the 27th day of June, 2000

USG CORPORATION

By /s/ Peter K. Maitland

Peter K. Maitland
Vice President, Compensation,
Benefits and Administration

Attest:

/s/ Dean H. Goossen

Dean H. Goossen
Corporate Secretary

1

EXHIBIT (10c)

SECOND AMENDMENT
TO
OMNIBUS MANAGEMENT INCENTIVE PLAN
OF USG CORPORATION

SECOND AMENDMENT (this "Second Amendment"), to the Omnibus Management

Incentive Plan of USG Corporation originally approved by the stockholders of the Corporation on May 14, 1997, and amended on November 11, 1997 (collectively, the "Plan").

WHEREAS, the stockholders approved an amendment to the Plan on May 10, 2000, to increase the number of shares reserved for issuance thereunder; and

WHEREAS, the Compensation and Organization Committee of the Board of Directors of USG Corporation (the "Corporation") has approved an amendment to the Plan to impose additional conditions on certain awards under the Plan;

NOW, THEREFORE, in consideration of the premises, the Plan is hereby amended as set forth below:

1. Section 6 of the Plan is hereby amended in its entirety to read as follows:

   "The number of shares of Common Stock reserved for issuance under the Plan after December 31, 2000, through December 31, 2003, is 2,400,000, together with such shares that are unissued or are the subject of forefeitures of any award under the Plan or any predecessor long-term incentive plan, which shall thereupon become available for awards under the Plan."

2. Section 5(a) (iv) of the Plan is hereby amended by the addition of the following sentence at the end thereof:

   "Notwithstanding anything in this Plan to the contrary, awards of Common Stock that are performance-based shall have performance periods of not less than one(1) year."

3. Section 11(c) of the Plan is hereby amended by the addition of the following two (2) sentences at the end thereof:

   "In the event the Committee permits the surrender of previously-owned shares of Common Stock as payment for the exercise price of any award under the Plan, such shares shall have been beneficially owned by the grantee for not less than six (6) months and otherwise qualify as "mature" shares under Generally Accepted Accounting Principles. In the event the Committee permits the reduction of shares of Common Stock subject to any award under the Plan in order to satisfy tax withholding, such reduction may not exceed the then statutorily required rate of withholding."

4. Except as expressly amended and modified by this Second Amendment, the Plan is hereby ratified and confirmed in all respects.

2

IN WITNESS WHEREOF, the Corporation has caused this Second Amendment to be executed by its officers thereunto duly authorized as of the 27th day of June, 2000

USG CORPORATION

By /s/ Peter K. Maitland

Peter K. Maitland
Vice President, Compensation,
Benefits and Administration

Attest:

/s/ Dean H. Goossen

Dean H. Goossen
Corporate Secretary

Exhibit (15)

November 6, 2000

USG Corporation
125 South Franklin Street
Chicago, Illinois 60606

We are aware that USG Corporation has incorporated by reference into previously filed Registration Statement Numbers 33-40136 and 33-64217 on Form S-3 and 33-22581, as amended, 33-22930, 33-36303, 33-52573, 33-52715, 33-63554, and 33-65383 on Form S-8 its Form 10-Q for the quarter ended September 30, 2000, which includes our report dated October 17, 2000, covering the unaudited condensed financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, these reports are not considered a part of the registration statement prepared or certified by our firm or reports prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

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