Form 10-K for OWENS CORNING filed on Mar 15 1999 1:41PM

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 1998

Commission File No. 1-3660

Owens Corning
One Owens Corning Parkway
Toledo, Ohio 43659
Area Code (419) 248-8000

A Delaware Corporation

I.R.S. Employer Identification No. 34-4323452

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class Which Registered	Name of Each Exchange on
Common Stock - $.10 Par Value	New York Stock Exchange
Rights to Purchase Series A Participating Preferred Stock, no par value, of the Registrant	New York Stock Exchange

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

At February 23, 1999, the aggregate market value of Registrant's $.10 par value common stock (Registrant's voting stock) held by non-affiliates was $1,831,976,814, assuming for purposes of this computation only that all directors and executive officers are considered affiliates.

At February 23, 1999, there were outstanding 54,351,085 shares of Registrant's $.10 par value common stock.

Parts of Registrant's definitive 1999 proxy statement filed or to be filed pursuant to Regulation 14A (the "1999 Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

Owens Corning, a global company incorporated in Delaware in 1938, serves consumers and industrial customers with building materials systems and composites systems. Building materials are used in residential remodeling and repair, commercial improvement, new residential and commercial construction, and other related markets. Composite materials are used in end-use markets such as building construction, automotive, telecommunications, marine, aerospace, energy, appliance, packaging and electronics. Many of the Company's products are marketed under registered trademarks, including FIBERGLAS and/or the color PINK.

Approximately 80% of Owens Corning's sales are related to home improvement, non-residential markets, sales of composite materials and sales outside U.S. markets. Approximately 20% of the Company's sales are related to new U.S. residential construction.

The Company operates in two reportable operating segments - Building Materials and Composite Materials. In 1998, the Building Materials segment accounted for 78% of the Company's total sales while Composite Materials accounted for 22% of total sales. During 1998, Owens Corning continued the implementation of its strategic restructuring program, initiated in the fourth quarter of 1997, to close manufacturing facilities, enhance manufacturing productivity and reduce overhead. The program produced a decrease in manufacturing and operating expenses of approximately $110 million in 1998. The Company also realized $32 million of cost reductions during 1998 through the integration of its 1997 acquisitions in the Exterior Systems Business. In the first quarter of 1998, the Company sold its 50% ownership interest in Alpha/Owens-Corning, LLC, a manufacturer and marketer of unsaturated polyester and vinylester resins. Additionally, in the third quarter of 1998, the Company sold 51% of a joint venture containing its yarns and specialty materials business (the "yarns joint venture"). Owens Corning continues to have a 49% interest in the yarns joint venture.

The Company also has affiliate companies in a number of countries. Affiliated companies' sales, earnings and assets are not included in either operating segment unless the Company owns more than 50% of the affiliate and the ownership is not considered temporary.

Revenue from external customers, income from operations and total assets attributable to each of Owens Corning's operating segments and geographic regions, as well as information concerning the dependence of the Company's operating segments on foreign operations, for each of the years 1998, 1997, and 1996, are contained in Note 1 to Owens Corning's Consolidated Financial Statements, entitled "Segment Data", on pages 46 through 51 hereof.

Owens Corning's executive offices are at One Owens Corning Parkway, Toledo, Ohio 43659; telephone (419) 248-8000. Unless the contest requires otherwise, the terms "Owens Corning" and "Company" in this report refer to Owens Corning and its subsidiaries.

BUILDING MATERIALS

Principal Products And Methods Of Distribution

The Building Materials segment operates primarily in North America and Europe. It also has a growing presence in Latin America and Asia Pacific. Building Materials sells a variety of building and home improvement products in three major categories: (i) glass fiber, foam and mineral wool insulation, (ii) roofing materials, and (iii) exterior products for the home, including vinyl and metal siding and accessories, vinyl windows and patio doors, rainware (consisting primarily of gutters and downspouts), cast stone building products and rebranded housewrap. The businesses responsible for these products and markets include:

Insulating Systems, Roofing Systems, Exterior Systems, System Thinking Sales and Distribution and International Building Materials Systems.

In 1997 Owens Corning became the industry leader in the vinyl siding market with its acquisitions of Fibreboard Corporation and AmeriMark Building Products, Inc. Together, these acquisitions represent over $1 billion in residential exterior building product sales, including vinyl siding, vinyl windows and patio doors, aluminum products and cast stone products. The Company has seven vinyl siding manufacturing plants, five aluminum products manufacturing plants and more than 180 company-owned specialty distribution centers. Almost all siding is sold through distribution, mostly specialty distributors who cater to exterior contractors by providing siding, siding accessories, aluminum rainware and often windows and patio doors. Owens Corning's network of company-owned outlets accounts for over half of the Company's siding sales. Cast stone is sold primarily through independent dealers and masonry suppliers.

The Company's System Thinking Sales and Distribution Business is a major channel through which the Company generates sales of building insulation products, roofing shingles and accessories, housewrap, windows/patio doors, and vinyl siding to home centers, lumberyards, retailers and distributors. These products are used primarily in the home improvement, new residential construction, and commercial construction and repair markets. In 1998, approximately 20% of the Company's sales were related to new construction activities in the United States, while home improvement and remodeling accounted for approximately 40%.

Other channels of distribution for the Company's building materials include sales of insulation products in North America to insulation contractors, wholesalers, specialty distributors, metal building insulation laminators, mechanical insulation distributors and fabricators, manufactured housing producers, and appliance, office products and automotive manufacturers. Foam insulation and related products are sold to distributors and retailers who resell to residential builders, remodelers and do-it-yourself customers; commercial and industrial markets through specialty distributors; and, in some cases, large contractors, particularly in the agricultural and cold storage markets.

In Europe, Asia and Latin America, building techniques do not employ as much open-cavity construction as in North America, resulting in a greater opportunity for growth in foam insulation than glass fiber in these markets. In developing markets, both foam and glass fiber insulation are opportunities. In Europe, the Company sells building insulation to large insulation wholesalers, builder merchants, contractors, distributors, and retailers. The Company sells mechanical insulation products to distributors, fabricators, and manufacturers in the heating, ventilation, power and process, appliance and fire protection industries. The Company has foam plants in the U.K., Spain and Italy and has licensed others for the manufacture of foam products at locations in Europe, the Middle East and Asia. The Company sells its foam products through traditional agents and distributors.

In Latin America, the Company produces and sells building and mechanical insulation primarily through an affiliate joint venture in Mexico, as well as exports from U.S. plants. In Asia Pacific, the Company sells primarily mechanical insulation through joint venture businesses, including two majority owned insulation plants and an insulation fabrication center in China, two minority owned joint ventures, one in Saudi Arabia and one in Thailand, and four licensees.

The Company sells roofing shingles to distributors and retailers, who resell them to residential roofing and remodeling contractors, as well as to do-it-yourself customers. Approximately 80% of roofing shingles sold in North America are used for reroofing, with new residential construction accounting for the remainder. Owens Corning also sells residential shingles through exports from the U.S. to East European, Latin American and Asia Pacific countries.

The Company sells non-paving asphalt products, including industrial and specialty applications, under the TrumbullT brand name. There are three principal kinds of industrial asphalt: Built-Up Roofing Asphalt (BURA), used in commercial flat roof systems to provide waterproofing and adhesion; saturants or coating asphalt, used to manufacture roofing mats, felts and residential shingles; and industrial specialty asphalt, used by manufacturers in a variety of products such as waterproofing systems, adhesives, coatings, dyes, and product extenders, as well as in various automotive applications.

There are several channels of distribution for the Company's asphalt products. The Company's asphalt products are used internally in the manufacture of the Company's residential roofing products and are also sold to other shingle manufacturers. In addition, asphalt is sold to roofing contractors and distributors for BURA systems and to manufacturers in a variety of other industries, including automotive, chemical, rubber and construction.

Seasonality

Sales in the Building Materials segment tend to follow seasonal home improvement, remodeling and renovation, and new construction industry patterns. Sales levels for the segment, therefore, are typically lower in the winter months.

Major Customers

No customer in the Building Materials segment accounted for more than 4% of the segment's sales in 1998.

COMPOSITE MATERIALS

Principal Products and Methods of Distribution

Composite Materials operates in North America, Europe and Latin America, with affiliates and licensees around the world, including a growing presence in Asia Pacific. The businesses responsible for these products include: Composites Systems and Engineered Pipe Systems.

The Company is the world's leading producer of glass fiber materials used in composites. Composites are fabricated material systems made up of two or more components (e.g., plastic resin and glass fiber) used in various applications to replace traditional materials, such as aluminum, wood, and steel. The global composites industry has expanded to include thousands of end-use applications. Worldwide, the composites industry has relatively few raw material component suppliers (glass fiber, resin and additives) delivering to thousands of industrial customers through various channels. Depending on the end-use application, these raw materials move through different manufacturing process chains, ultimately finding their way to consumers through myriad markets worldwide. The primary end use markets that the Company serves are transportation, building construction, electrical/ electronics, consumer recreational and infrastructure.

Within the construction market, the major end-use application for glass fiber is asphaltic roofing shingles, where glass fiber is used to provide fire and mildew resistance in 95% of all such shingles produced in North America. The Company sells glass fiber and/or mat directly to a small number of major shingle manufacturers (including the Company's own roofing business).

Tubs, showers and other related internal building components used for both remodeling and new construction are also major applications of composite materials in the construction market. These end-use products are some of the first successful material substitution conversions normally encountered in developing countries. Glass fiber reinforcements and composite material solutions for these markets are sold to direct accounts, and also to distributors around the world, who in turn service thousands of customers.

More than 80% of transportation-related composite materials is used in automotive applications. Non-automotive transportation applications include heavy trucks, rail cars, shipping containers, refrigerated containers, trailers and commercial ships. Growth continues in automotive applications, as composite systems create new applications or displace other materials in existing applications. There are hundreds of composites applications, including body panels, door modules, integrated front-end systems, instrument panels, chassis and underbody components and systems, and heat and noise shields. These composite parts are either produced by original equipment manufacturers (OEMs), or are purchased by OEMs from first-tier suppliers. Glass fibers for these parts are sold mostly to first-tier and second-tier OEM suppliers.

Within the electrical/electronics markets, glass fiber composites are used to protect and reinforce fiber optic and copper cables. The Company also produces central strength members for fiber optic cables. Other end-use applications in the electrical/electronics markets include connectors, circuit breaker boxes, computer housings, electricians' safety ladders, and hundreds of various electro/mechanical components. Through its 49% interest in the yarns joint venture, the Company continues to participate in the yarns and specialty material markets, where glass fiber is used extensively in printed circuit boards made for the consumer electronics, transportation, and telecommunications industries.

The consumer recreational markets include sporting goods and marine applications. The Company sells composite materials to OEMs and boat builders, both directly and through distributors.

The Company manufactures large diameter glass-reinforced plastic (GRP) pipe designed for use in underground pressure and gravity fluid handling systems. The pipe is a filament-wound structural composite made with glass fiber and polyester resins. The Company, directly and with joint venture partners around the world, manufactures and sells GRP pipe directly to governments and private industry for major infrastructure projects, primarily for the safe and efficient transport of water and waste.

Major Customers

No customer in the Composite Materials segment accounted for more than 5% of the segment's sales in 1998.

GENERAL

Raw Materials and Patents

Owens Corning considers the sources and availability of raw materials, supplies, equipment and energy necessary for the conduct of its business in each operating segment to be adequate.

The Company has numerous U.S. and foreign patents issued and applied for relating to its products and processes in each operating segment resulting from research and development efforts.

The Company has issued royalty-bearing patent licenses to companies in several foreign countries. The licenses cover technology relating to both operating segments.

Including registered trademarks for the Owens Corning logo, the color PINK, and FIBERGLAS, the Company has approximately 290 trademarks registered in the United States and approximately 1,225 trademarks registered in other countries.

The Company considers its patent and trademark positions to be adequate for the present conduct of its business in each of its operating segments.

Working Capital

Owens Corning's manufacturing operations in each of its operating segments are generally continuous in nature and it warehouses much of its production prior to sale since it operates primarily with short delivery cycles.

Research and Development

During 1998, 1997 and 1996, the Company spent approximately $57 million, $69 million, and $78 million, respectively, for research and development activities. Customer sponsored research and development was not material in any of the last three years.

Environmental Control

Owens Corning's capital expenditures relating to compliance with environmental control requirements were approximately $17 million in 1998. The Company currently estimates that such capital expenditures will be approximately $15 million in 1999 and $15 million in 2000.

The Company does not consider that it has experienced a material adverse effect upon its capital expenditures or competitive position as a result of environmental control legislation and regulations. Operating costs of environmental control equipment, however, were approximately $53 million in 1998. Owens Corning continues to invest in equipment and process modifications to remain in compliance with applicable environmental laws and regulations.

The 1990 Clean Air Act Amendments (Act) provide that the United States Environmental Protection Agency (EPA) will issue regulations on a number of air pollutants over a period of years. Until these regulations are developed, the Company cannot determine the extent to which the Act will affect it. The Company anticipates that its sources to be regulated will include wool fiber glass, mineral wool, amino/phenolic resin, secondary aluminum smelting, asphalt processing and roofing, and metal coil coating. The EPA's currently announced schedule is to issue regulations covering wool fiber glass, mineral wool, amino/phenolic resin, secondary aluminum smelting, and asphalt processing and roofing in 1999, and metal coil coating in 2000, with implementation as to existing sources up to three years thereafter. Based on information now known to the Company, including the nature and limited number of regulated materials it emits, the Company does not expect the Act to have a materially adverse effect on the Company's results of operations, financial condition or long-term liquidity.

Number of Employees

Owens Corning averaged approximately 21,000 employees during 1998 and had approximately 20,000 employees at December 31, 1998.

Competition

Owens Corning's products compete with a broad range of products made from numerous basic, as well as high-performance, materials.

The Company competes with a number of manufacturers in the United States of glass fibers in primary forms, not all of which produce a broad line of glass fiber products. Approximately one-half of these producers compete with the Company's Building Materials operating segment in the sale of glass fibers in primary form. A similar number compete with the Company's Composite Materials operating segment. Companies in other countries export small quantities of glass fiber products to the United States. The Company also competes outside the United States with a number of manufacturers of glass fibers in primary forms.

Owens Corning also competes with many manufacturers, fabricators and distributors in the sale of products made from glass fibers. In addition, the Company competes with many other manufacturers in the sale of roofing materials for sloped roofing, industrial asphalts, vinyl siding, windows and patio doors and other products.

Owens Corning provides services on a fee-for-service basis in the form of materials and product testing, in competition with numerous testing laboratories, and also sells claims management services.

Methods of competition include product performance, price, terms, service and warranty.

ITEM 2. PROPERTIES

PLANTS

Owens Corning's plants as of February 1, 1999 are listed below by operating segment and primary products, and are owned except as noted. The Company considers that these properties are in good condition and well maintained, and are suitable and adequate to carry on the Company's business. The capacity of each plant varies depending upon product mix.

BUILDING MATERIALS SEGMENT

Thermal and Acoustical Insulation

Delmar, New York
Eloy, Arizona
Fairburn, Georgia
Kansas City, Kansas
Mount Vernon, Ohio
Newark, Ohio
Palestine, Texas
Phenix City, Alabama (1)
Salt Lake City, Utah
Santa Clara, California
Waxahachie, Texas

Anshan, China
Babelegi, South Africa
Candiac, Canada (2)
Edmonton, Canada
Guangzhou, China
Pontyfelin, United Kingdom
Queensferry, United Kingdom
Ravenhead, United Kingdom
Scarborough, Canada
Shanghai, China
Springs, South Africa
Vise, Belgium

(1) Facility is leased.
(2) Not in operation.

Foam Insulation

Byron Center, Michigan
Carson, California
Los Angeles, California (1)
Rockford, Illinois
Tallmadge, Ohio

Hartlepool, United Kingdom
Nanjing, China
Santa Perpetua, Spain
Turin, Italy
Valleyfield, Canada
Volpiano, Italy

(1) Facility is leased.

Roofing and Asphalt Processing (one of each at every location, except as noted).

Atlanta, Georgia
Brookville, Indiana (1)
Channelview, Texas (2)
Compton, California
Denver, Colorado
Detroit, Michigan (2)
Ennis, Texas (2)
Ft. Lauderdale, Florida (2)
Houston, Texas
Irving, Texas
Jacksonville, Florida
Jessup, Maryland
Kearny, New Jersey
Medina, Ohio
Memphis, Tennessee
Minneapolis, Minnesota
Morehead City, North Carolina (2) (3)
Oklahoma City, Oklahoma (2)
Portland, Oregon (4)
Savannah, Georgia (1)
Summit, Illinois

(1) Roofing plant only.
(2) Asphalt processing plant only.
(3) Facility is leased.
(4) Two asphalt processing plants, as well as one roofing plant.

Fabrication Centers

Angola, Indiana
Athens, Alabama
Atlanta, Georgia (1)
Cleveland, Tennessee (1)
Columbus, Ohio (1)
Dallas, Texas (1)
Grand Rapids, Michigan (1)
Hazelton, Pennsylvania (1)
Hebron, Ohio
Indianapolis, Indiana (1)
Johnson City, Tennessee (1)
Los Angeles, California (1)
Montgomery, Alabama (1)
Shelbyville, Kentucky (1)
Springfield, Tennessee (1)
Tiffin, Ohio (1)
Van Buren, Arkansas (1)

Brantford, Canada

(1) Facility is leased.

Manufactured Housing/Recreational Vehicles Specialty Parts

Douglas, Georgia
Elkhart, Indiana (1)
Goshen, Indiana
Miami, Florida (1)
Nappanee, Indiana (2)
Plant City, Florida (1)
Waco, Texas (1)

(1) Facility is leased.
(2) Two facilities.

Metal Rainware

Ashville, Ohio
Beloit, Wisconsin (1)
Lincoln Park, Michigan
Richmond, Virginia
Roxboro, North Carolina

(1) Facility is leased.

Cast Stone Products

Napa, California (1)
Navarre, Ohio

(1) Facility is leased.

Vinyl Siding

Atlanta, Georgia (1)
Claremont, North Carolina
Fair Bluff, North Carolina
Joplin, Missouri
Olive Branch, Mississippi

London, Ontario
Mission, British Columbia (1)

(1) Facility is leased.

Windows/Patio Doors

Bradenton, Florida
Lakeland, Florida

In addition, Owens Corning has 182 Specialty Distribution Centers in 36 states in the U.S.

COMPOSITE MATERIALS SEGMENT

Textiles and Reinforcements

Aiken, South Carolina
Amarillo, Texas
Anderson, South Carolina
Duncan, South Carolina (1)
Fort Smith, Arkansas
Huntingdon, Pennsylvania (1)
Jackson, Tennessee (1)
New Braunfels, Texas (1)
South Hill, Virginia (1) (2)

Apeldoorn, The Netherlands
Battice, Belgium
Birkeland, Norway
Guelph, Canada
L'Ardoise, France
Liversedge, United Kingdom
Markham, Canada (1)
Rio Claro, Brazil
San Vincente deCastellet/ Barcelona, Spain
Springs, South Africa
Wrexham, United Kingdom

(1) Facility is leased.
(2) Under construction.

Engineered Pipe Systems

Bagneres-De-Bigorre, France
Sandefjord, Norway

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OTHER PROPERTIES

Owens Corning's principal executive offices of approximately 400,000 square feet are located in the Owens Corning World Headquarters, Toledo, Ohio. The lease for this facility terminates May 31, 2015, with options to extend through May 31, 2030.

The Company's research and development activities are primarily conducted at its Science and Technology Center, located on approximately 500 acres of land outside Granville, Ohio. It consists of twenty-three structures totaling approximately 635,000 square feet. The Company also has Application Development Centers in Battice, Belgium, Shanghai, China and Bangalore, India.

ITEM 3. LEGAL PROCEEDINGS

The paragraphs in Note 22 to the Company's Consolidated Financial Statements, entitled "Contingent Liabilities", on pages 81 through 88 hereof, are incorporated here by reference.

Securities and Exchange Commission rules require the Company to describe certain governmental proceedings arising under federal, state or local environmental provisions unless the Company reasonably believes that the proceeding will result in monetary sanctions of less than $100,000. The following proceeding is reported in response to this requirement. Based on the information presently available to it, however, the Company believes that the costs which may be associated with this matter will not have a materially adverse effect on the Company's financial position or results of operations.

As previously reported, by letter dated September 10, 1998, the New Jersey Department of Environmental Protection (DEP) alleged violation of an Administrative Consent Order (ACO) relating to an asbestos remediation project. DEP's violation letter stated that the minimum penalty stipulated by the ACO for the alleged violation would be $1,407,000. While deferring any obligation to pay such penalties, DEP's letter required the submittal of a revised schedule detailing all outstanding obligations under the ACO to remediate the site. The Company promptly submitted the revised schedule and, by letter dated November 10, 1998, DEP acknowledged receipt of such schedule and satisfaction of the September 10, 1998 violation letter. DEP stated that it was deferring any obligation to pay the referenced penalties, while reserving the right to incorporate such penalties into any assessments for future violations of the ACO. The Company does not anticipate further action in connection with this matter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Owens Corning has nothing to report under this Item.

Executive Officers of the Company
(as of March 1, 1999)

The term of office for elected officers is one year from the annual election of officers by the Board of Directors following the Annual Meeting of Stockholders in April. All those listed have been employees of Owens Corning during the past five years except as indicated.

Name and Age	Position*
Glen H. Hiner (64)	Chairman of the Board and Chief Executive Officer since January 1992. Director since 1992.
Maura J. Abeln (43)	Senior Vice President, General Counsel and Secretary since February 1998; formerly Vice President and General Counsel of GE Plastics (1991).
Rhonda L. Brooks (47)	Vice President and President, Roofing Systems Business since January 1998; formerly Vice President, Investor Relations (1997), Vice President, Marketing, Composites (1995), Senior Vice President and General Manager of Ply Gem Industries (1994), and various Vice President positions at Warner-Lambert (1990).
David T. Brown (50)	Vice President and President, Insulating Systems Business since January 1998; formerly Vice President and President, Building Materials Sales and Distribution-North America (1996), Vice President and President, Roofing/Asphalt (1994), and Vice President, Roofing/Asphalt Division (1993).
Domenico Cecere (49)	Senior Vice President and President, North America Building Materials Systems Business since January 1999; formerly Senior Vice President and Chief Financial Officer (1998), Vice President and President, Roofing/Asphalt (1996), and Vice President and Controller (1993).
Carl B. Hedlund (51)	Vice President and President, International Building Materials Systems Business since January 1998; formerly Vice President and President, Asia Pacific (1995), Vice President and President, Retail/Distribution (1994), and Vice President, Retail and Distribution, Construction Products Group (1993).
Richard D. Lantz (47)	Vice President and President, System Thinking Sales and Distribution Business since January 1998; formerly Vice President - Marketing, Insulation Business (1997), Vice President, Marketing and Sales Support, Building Materials Sales and Distribution (1996), Vice President, Marketing, Roofing and Asphalt (1995), and Business Development Manager, Roofing and Asphalt (1992).

Name and Age	Position*
Robert C. Lonergan (55)	Senior Vice President, Strategic Resources since January 1998; formerly Vice President, Science and Technology (1995), and President, Windows (1993).
Heinz-J. Otto (49)	Vice President and President,

	Composite Systems Business since January 1998; formerly Vice President and President, Composites (1996), and Head of Region Europe and Executive Board Member, Landis & Gyr Corp. (1992).
J. Thurston Roach (57)	Senior Vice President and Chief Financial Officer since January 1999; formerly Senior Vice President and President, North America Building Materials Systems Business (1998), Vice Chairman of Simpson Investment Company (1997), President of Simpson Timber Company (1996), and Senior Vice President, Chief Financial Officer and Secretary of Simpson Investment Company (1984).
Steven J. Strobel (41)	Vice President and Controller since September 1996; formerly Chief Financial Officer of Kraft Canada, Inc. (1994) and Vice President and Controller of Kraft USA Operations (1991).
Michael H. Thaman (34)	Vice President and President, Exterior Systems Business since January 1999; formerly Vice President and President, Engineered Pipe Systems (1997), General Manager, OEM Solutions Group (1996), Plant Manager - Toronto, Canada (1994), and Director, Corporate Development (1992).

*Information in parentheses indicates year in which service in position began.

Part II

ITEM 5. MARKET FOR OWENS CORNING'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market on which Owens Corning's common stock is traded is the New York Stock Exchange. The high and low sales prices in dollars per share for Owens Corning's common stock as reported in the consolidated transaction reporting system for each quarter during 1998 and 1997 are set forth in the following tables.

1998	High	Low	1997	High	Low
First Quarter	37	27	First Quarter	49-7/8	40
Second Quarter	44-1/2	34-13/16	Second Quarter	45	36-7/8
Third Quarter	46-5/8	32	Third Quarter	44-3/16	34-11/16
Fourth Quarter	39-15/16	25-5/8	Fourth Quarter	37-13/16	31-7/8

The number of stockholders of record of the Company's common stock on February 23, 1999 was 6,546.

The Company declared dividends of $.0625 per share of common stock for the first and second quarters of 1997 and dividends of $.075 per share for the third and fourth quarters of 1997 and each of the quarters of 1998. In connection with certain of its current bank credit facilities, the Company has agreed to restrictions affecting the payment of cash dividends. As of March 1, 1999, these restrictions limited funds available for the payment of cash dividends by the Company to $20 million annually.

ITEM 6. SELECTED FINANCIAL DATA

The following is a summary of certain financial information of the Company.

	1998(a)	1997(b)	1996(c)	1995(d)	1994(e)
	(In millions of dollars, except per share data and where noted)				
Net sales	$5,009	$4,373	$3,832	$3,612	$3,351
Cost of sales	3,944	3,482	2,840	2,670	2,536
Marketing, administrative and other expenses	659	572	523	444	429
Science and technology expenses	57	69	84	78	71
Restructure costs	117	68	38	-	89
Provision for asbestos litigation claims	1,415	-	875	-	-
Gain on sale of assets	359	-	37	-	-
Income (loss) from operations	(824)	182	(491)	420	226
Cost of borrowed funds	140	111	77	87	94
Income (loss) before provision for income taxes	(964)	71	(568)	333	132
Provision (credit) for income taxes	(306)	9	(283)	109	58
Net income (loss)	(705)	47	(284)	231	159
Net income (loss) per share					
Basic	(13.16)	.89	(5.54)	4.73	3.65
Diluted	(13.16)	.88	(5.54)	4.41	3.35
Dividends per share on common stock					
Declared	.3000	.2750	.1250	-	-
Paid	.3000	.2625	.0625	-	-
Weighted average number of shares outstanding (in thousands)					
Basic	53,579	52,860	51,349	48,744	43,647
Diluted	53,579	53,546	51,349	53,918	50,007
Net cash flow from operations	124	131	335	285	233
Capital spending	253	227	325	276	258
Total assets	5,101	4,996	3,913	3,261	3,274
Long-term debt	1,535	1,595	818	794	1,037
Average number of employees (in thousands)	20	22	19	17	17

(a) During 1998, the Company recorded a pretax charge of $1.415 billion ($906 million after-tax) for asbestos litigation claims, a pretax charge of $243 million ($171 million after-tax) for restructuring and other actions, a pretax net credit of $275 million ($165 million after-tax) from the sale of the Company's yarns and other businesses, a pretax credit of $84 million ($52 million after tax) from the sale of its ownership interest in Alpha/Owens-Corning, LLC, a $39 million after-tax extraordinary loss from the early retirement of debt, and a $10 million charge for various tax adjustments.

(b) During 1997, the Company recorded a pretax charge of $143 million ($104 million after-tax) for restructuring and other actions as well as a $15 million after-tax charge for the cumulative effect of the change in method of accounting for business process reengineering costs. The incremental sales from the 1997 acquisitions were $534 million during 1997.

ITEM 6 . SELECTED FINANCIAL DATA (Continued)

(c) During 1996, the Company recorded a net pretax charge of $875 million ($542 million after-tax) for asbestos litigation claims that may be received after 1999 and probable additional insurance recovery; special charges totaling $42 million ($27 million after-tax) including valuation adjustments associated with prior divestitures, major product line productivity initiatives and a contribution to the Owens-Corning Foundation; a pretax charge of $43 million ($26 million after-tax) for restructuring and other actions; a $27 million reduction of tax reserves due to favorable legislation; and a pretax gain of $37 million ($27 million after-tax) from the sale of the Company's ownership interest in its former Japanese affiliate, Asahi Fiber Glass Co. Ltd.

(d) During 1995, the Company recorded an $8 million tax credit as a result of a tax loss carryback.

(e) During 1994, the Company recorded a $117 million pretax charge ($85 million after-tax) for productivity initiatives and other actions. The Company also recorded a $10 million after-tax charge for the adoption of Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions for its non-U.S. plans, a $28 million after-tax charge for the adoption of SFAS No. 112, Employers' Accounting for Postemployment Benefits, and a $123 million after-tax credit for the change in accounting method for rebuilding furnaces.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All per share information in Item 7 is on a diluted basis.)

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the statements. Some of the important factors that may influence possible differences are continued competitive factors and pricing pressures, construction activity, interest rate movements, issues involving implementation of new business systems, Year 2000 readiness, achievement of expected cost reductions, asbestos litigation, and general economic conditions.

RESULTS OF OPERATIONS

Business Overview

The Company's growth agenda has focused on increasing sales and earnings by (i) acquiring businesses with products that can be sold through existing or complementary distribution channels, (ii) achieving productivity improvements and cost reductions in existing and acquired businesses and (iii) entering new growth markets. The Company is implementing two major initiatives, the System Thinking (TM) strategy and Advantage 2000, to enhance sales growth and achieve productivity improvements across all businesses. System Thinking for the Home (TM) leverages the Company's broad product offering and strong brand recognition to increase its share of the building materials and home improvement markets. This systems approach represents a shift from product-oriented selling to providing systems-driven solutions that combine the Company's insulation, roofing, exterior and acoustic systems, to provide a high performance, cost-effective building "envelope" for the home. In the Composite Materials business, the Company has partnered with the plastics industry and, with the Company's System Thinking philosophy, is taking a solution-oriented, customer-focused approach toward the continuous development of substitution opportunities for composite materials. In addition, the Company is implementing Advantage 2000, a fully integrated business technology system designed to reduce costs and improve business processes.

The Company has grown its sales from nearly $3.4 billion in 1994 to $5.0 billion in 1998. Acquisitions have been a significant component of that growth. Since 1994, the Company has completed 17 acquisitions for an aggregate purchase price of over $1.2 billion. The Company's acquisitions have broadened its lines of business to include siding, accessories and other home exteriors and have diversified its materials portfolio beyond fiber glass to include polymers such as vinyl and styrene, and metal and stone. In 1997, the Company completed the two largest of these acquisitions by acquiring Fibreboard Corporation ("Fibreboard") and AmeriMark Building Products, Inc. ("AmeriMark"), making Owens Corning the leader in the U.S. vinyl siding, siding accessories and manufactured stone markets, as well as a large specialty distributor in North

America through 180 Company-owned distribution centers.

Despite improvements in the Company's strategic position in 1997, the Company experienced a highly competitive pricing environment in several of its product markets that negatively impacted financial results. In North America, the Company's insulation pricing decreased by approximately 10 percent over the course of 1997 and worldwide composites pricing decreased by approximately 6 percent during 1997. Income from operations for 1997 was adversely impacted by approximately

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

$87 million as a result of price declines in insulation products and approximately $64 million as a result of price declines affecting composite materials. Offset by small price increases in other businesses, the net unfavorable effect of price on 1997 income from operations was approximately $142 million.

During 1998, the pricing environment applicable to several of the Company's major products, particularly residential insulation, began to improve. Over the course of the year, the Company announced three separate price increases, totaling 27%, applicable to residential insulation. Another 9% price increase applicable to such products was announced effective January 1999. In early 1998, the Company also announced price increases applicable to its commercial and industrial insulation products as well as its residential roofing products and composites products. By the end of 1998, most notably in the fourth quarter, the Company's average price levels of insulation products surpassed the year-end 1997 levels. Despite the successful implementation of price increases during 1998, including the restoration of residential insulation prices to their late 1996 levels, income from operations during 1998 was adversely impacted by approximately $44 million, compared to 1997, due largely to the relatively low insulation pricing base in effect at the beginning of 1998, the lag in fully realizing the 1998 price increases as the Company honors the remainder of pre-existing pricing contracts, and price declines attributable to vinyl siding products. The Company expects the upward price trend established during 1998 to continue into 1999.

As a result of the growth of the Company's business and the significant pricing pressure experienced in 1997, the Company implemented a strategic restructuring program designed to improve profitability, augment previously announced profitability initiatives, and improve operational efficiency. The specific objectives of this strategic program are discussed in "Restructuring of Operations and Other Actions" below and in Note 4 to the Consolidated Financial Statements.

Years Ended December 31, 1998, 1997 and 1996

Sales and Profitability

Net sales for the year ended December 31, 1998 were $5.009 billion, reflecting a 15% increase from the 1997 level of $4.373 billion. Net sales in 1996 were $3.832 billion. The year to year increases are primarily due to the acquisitions of Fibreboard and AmeriMark which were completed in the second and fourth quarters of 1997, respectively. Continued strength in U.S. residential roofing markets resulted in increased volume and price during 1998. Volume declines in North American and European residential insulation markets were partially offset by volume increases in mechanical and other insulation markets. Although average price levels for insulation products were lower in 1998 than 1997 when calculated on an annual basis, residential insulation price levels were higher in the fourth quarter of 1998 compared to the fourth quarter of 1997, indicating the benefits of the price increases implemented throughout 1998 and the establishment of an upward price trend which is expected to continue into 1999. This represents a reversal of the downward trend in insulation pricing experienced during 1997 and 1996. In the vinyl siding market, volume increases were largely offset by declines in pricing during 1998. Volume increases in North American composites markets during 1998, particularly during the fourth quarter, helped to offset price declines in European and Asian markets during the year. On a consolidated basis, there was virtually no impact of currency translation on sales in foreign currencies during 1998. Please see Note 1 to the Consolidated Financial Statements.

Sales outside the U.S. represented 20% of total sales for the year ended December 31, 1998, compared to 24% during 1997 and 25% during 1996. The decline in non-U.S. sales as a percentage of total sales in 1998 compared to 1997 and 1996 is due to the 1997 acquisitions of Fibreboard and

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

AmeriMark, which are primarily U.S. operations, and volume declines in Europe during 1998. Gross margin for the year ended December 31, 1998 was 21% of net sales, compared to 20% and 26% in 1997 and 1996, respectively. The decline in gross margin as a percentage of sales in 1998 and 1997 compared to 1996 and prior years is largely attributable to the lower-margin businesses of the 1997 acquisitions. Cost of sales in 1998 includes a $65 million charge as part of the $243 million charge for restructuring and other actions described below. Gross margin during 1998 reflects the benefits of price improvements, cost reductions resulting from the Company's strategic restructuring program, and continuing productivity improvements across the Company's businesses. Cost of sales in 1997 includes a $38 million charge as part of the $143 million charge for restructuring and other actions described below.

For the year ended December 31, 1998, the Company reported a net loss of $705 million, or $13.16 per share, compared to net income of $47 million, or $.88 per share, for the year ended December 31, 1997, and a net loss of $284 million, or $5.54 per share, for the year ended December 31, 1996. Included in the 1998 net loss are a $1.415 billion pretax charge ($906 million after-tax) for asbestos litigation claims, a $243 million pretax charge ($171 million after-tax) for restructuring and other actions and a $359 million pretax gain ($217 million after-tax) from the sale of certain businesses. Net income in 1998 also reflects manufacturing and operating expense reductions of approximately $110 million on a pretax basis, resulting from the Company's strategic restructuring program. Cost of borrowed funds during 1998 was $140 million, $29 million higher than the 1997 level, due to higher levels of average debt, offset partially by a reduction in average interest rates during 1998. The reduction in equity in net income of affiliates for the year ended December 31, 1998 reflects the first quarter 1998 sale of the Company's 50% ownership interest in Alpha/Owens-Corning, LLC. As part of the Company's debt realignment strategy, the Company repurchased, via a tender offer, certain debt securities during the third quarter of 1998 and recorded an extraordinary loss of $39 million, or $.72 per share, net of related income taxes of $25 million. Please see Notes 2, 4, 5 and 22 to the Consolidated Financial Statements.

Net income for the year ended December 31, 1997 was $47 million, or $.88 per share, and reflects the adverse impact of lower prices in insulation and composites worldwide compared to 1996. Net income for 1997 also includes a pretax charge of $143 million ($104 million after-tax) for restructuring and other actions; an increase in cost of borrowed funds and minority interest expense compared to 1996, due primarily to the financing of the Fibreboard and AmeriMark acquisitions; a $15 million credit ($10 million after-tax) resulting from the modification of certain employee benefits in the second quarter of 1997; and a $15 million after-tax charge for the cumulative effect of the change in method of accounting for business process reengineering costs. Please see Notes 4, 6 and 8 to the Consolidated Financial Statements.

The 1996 net loss of $284 million, or $5.54 per share, reflects a pretax charge of $875 million ($542 million after-tax) for asbestos litigation claims; pretax charges totaling

$42 million ($27 million after-tax) including valuation adjustments associated with prior divestitures, major product line productivity initiatives and a contribution to the Owens Corning Foundation; a pretax charge of $43 million ($26 million after-tax) for restructuring and other actions; a $27 million reduction of tax reserves due to favorable legislation; and a pretax gain of $37 million ($27 million after-tax) from the sale of the Company's ownership interest in its former Japanese affiliate, Asahi Fiber Glass Co. Ltd. Please see Notes 4, 5 and 11 to the Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Marketing and administrative expenses were $587 million during 1998, compared to $544 million and $500 million in 1997 and 1996, respectively. The increase in marketing and administrative expenses reflects the incremental costs due to acquisitions, partially offset by the benefits of cost reductions resulting from the Company's strategic restructuring program.

Restructuring of Operations and Other Actions

Please see also Note 4 to the Consolidated Financial Statements.

During the first and third quarters of 1998, the Company recorded a total pretax charge of $243 million for restructuring and other actions as part of the Company's strategic restructuring program to reduce overhead, enhance manufacturing productivity, and close manufacturing facilities, which was announced in early 1998. This charge includes $117 million for restructuring and $126 million for other actions in 1998, the majority of which represent asset impairments. On a cumulative basis since the fourth quarter of 1997, the Company has recorded a total pretax charge of $386 million for this program, of which $185 million represents restructure costs and $201 million represents other actions.

The $117 million restructuring charge in 1998 includes approximately $90 million for costs associated with the elimination of approximately 1,900 positions worldwide and $27 million for the divestiture of non-strategic businesses and facilities, of which $3 million represents exit cost liabilities, comprised primarily of lease commitments. The $27 million charge for non-strategic businesses and facilities includes $12 million for the closure of certain U.S. manufacturing facilities, $6 million for the closure of a pipe manufacturing facility in China, and $9 million for other actions.

The primary components of the $126 million charge for other actions in 1998 and their classification on the Company's consolidated statement of income include: $30 million to write down to fair value certain manufacturing assets held for use in China, due primarily to poor current and projected financial results, recorded as cost of sales; $15 million to write down to net realizable value equipment and inventory made obsolete by changes in the Company's manufacturing and marketing strategies, recorded as cost of sales; $17 million for the write-down of an investment in and the write-off of a receivable from a joint venture in Korea to reflect the current business outlook and the fair market value of the assets, recorded as other operating expenses; $12 million for the write-down of goodwill associated with the 1995 acquisition of Fiber-lite, determined to be unrecoverable due to a change in market conditions and customer demand, recorded as other operating expenses; and $9 million for the write-down of certain assets in the U.S. to fair market value, recorded as cost of sales. The Company plans to hold and use the investments but disposed of most of the equipment in 1998. Also included in the $126 million charge for other actions are $13 million for the write-off of certain receivables in the U.S. and Asia determined to be uncollectable, recorded as cost of sales and other operating expenses; and $30 million for other actions recorded as cost of sales, marketing and administrative expenses, and other operating expenses.

During the fourth quarter of 1997, the Company recorded a $143 million pretax charge for restructuring and other actions as the first phase of the strategic restructuring program. The $143 million pretax charge was comprised of a $68 million charge associated with the restructuring of the Company's business segments and a $75 million charge associated with asset impairments, including investments in certain affiliates. The components of the restructure charge include $25 million for personnel reductions, $41 million for the divestiture of non-strategic businesses and facilities, including the 1998 closure of the Candiac,

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Quebec manufacturing facility, and $2 million for other actions. The $25 million for personnel reductions represents severance costs associated with the elimination of nearly 550 positions worldwide.

The primary components of the $75 million charge for other actions and their classification on the Company's consolidated statement of income include: $17 million for the write-off of certain assets and investments associated with unconsolidated joint ventures in Spain and Argentina due primarily to poor current and projected financial results and the expected loss of local partners, recorded as other operating expenses; $12 million for the write-down of certain investments in mainland China to reflect the current business outlook and the fair market value of the investments, recorded as cost of sales; $24 million to write down to net realizable value equipment and inventory made obsolete by changes in the Company's manufacturing and marketing strategies, recorded as cost of sales; $8 million for a supplemental employee retirement plan approved by the Board of Directors in December 1997, recorded as marketing and administrative expenses; $5 million for the write-off of an insurance receivable that was determined to be uncollectable after judicial rejection of the Company's claim, recorded as other operating expenses; and $9 million for several other actions recorded as cost of sales, marketing and administrative expenses, and other operating expenses. The Company plans to hold and use the investments but disposed of the equipment in 1998.

During the fourth quarter of 1996, the Company recorded a $43 million pretax charge for restructuring and other actions which included the costs associated with a work force realignment, a replacement of computer technology and asset valuations and expenses related to exited businesses. The $43 million pretax charge was comprised of a $38 million restructure charge and a $5 million charge related to an exited business. The components of the restructure charge included $20 million for personnel reductions, $8 million in computer technology and $10 million for asset valuations and exited businesses. The $20 million for personnel reductions represented severance costs associated with the elimination of nearly 400 positions worldwide.

As indicated above, certain of the charges recorded during 1998, 1997 and 1996 represent valuation adjustments associated with asset impairments. The Company continually evaluates whether events and circumstances have occurred that indicate that the carrying amount of certain long-lived assets is recoverable. When factors indicate that a long-lived asset should be evaluated for possible impairment, the Company uses an estimate of the expected undiscounted cash flows to be generated by the asset to determine whether the carrying amount is recoverable or if an impairment exists. When it is determined that an impairment exists, the Company uses the fair market value of the asset, usually measured by the discounted cash flows to be generated by the asset, to determine the amount of the impairment to be recorded in the financial statements.

As a result of the strategic restructuring program, the Company realized a decrease in manufacturing and operating expenses of approximately $110 million during 1998. Based upon expected economic conditions over the next few years, including effects on matters such as labor, material and other costs, the Company expects additional cost reductions of approximately $65 million in 1999, resulting in ongoing pretax savings of approximately $175 million per year. The expected $175 million in cost reductions, the majority of which will be cash savings, is comprised of $150 million in reduced personnel costs, $14 million in reduced facility costs, and $11 million of reductions in related program spending. The Company also expects additional cost savings during 1999 resulting from improved logistics and materials sourcing.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company also implemented programs to gain synergies in its Exterior Systems Business during 1998. As a result of these programs, which include closing redundant facilities, integrating business systems, and improving purchasing leverage, the Company reduced costs by approximately $32 million during 1998 and expects to save an additional $20 million per year in 1999 and beyond, the majority of which will be cash savings.

Building Materials

In the Building Materials segment, sales increased 22% in 1998 compared to 1997, reflecting the incremental sales from the AmeriMark and Fibreboard acquisitions. Building Materials sales reflect the benefits of volume increases in North American vinyl siding and residential roofing markets during 1998, offset partially by volume declines in European residential insulation markets. Price increases in North American residential roofing markets were more than offset by insulation and vinyl siding prices, which were lower on average for total year 1998 than 1997. Prices of residential insulation, particularly in the U.S., however, benefited from an upward trend during much of 1998 and resulted in prices during the fourth quarter of 1998 that were above fourth quarter 1997 levels. The translation impact of sales denominated in foreign currencies was slightly unfavorable during 1998. Income from operations was $311 million during 1998, up from $172 million in 1997. Income from operations in 1998 reflects productivity improvements and cost reductions resulting from the strategic restructuring program, as well as strong residential roofing volume and price. Please see Notes 1 and 5 to the Consolidated Financial Statements.

The consolidated results of the Company include the results of operations of Fibreboard and AmeriMark beginning with the third and fourth quarters of 1997, respectively. To enhance comparability, certain information below is presented on a pro forma basis and reflects the acquisitions of Fibreboard (excluding Pabco and operations that were discontinued by Fibreboard prior to the acquisition) and AmeriMark as though they had occurred at the beginning of the periods presented. (The pro forma impact of all acquisitions during 1997 and 1996, other than Fibreboard and AmeriMark, was not material to the Company's results of operations for those years.) The pro forma results include certain adjustments, primarily for depreciation and amortization, interest and other expenses directly attributable to the acquisitions, and are not necessarily indicative of the combined results that would have occurred had the acquisitions occurred at the beginning of that period. These pro forma results do not reflect the benefits from the consolidation of the exterior systems business discussed above.

	PRO FORMA Year Ended December 31, 1997	1996	AS REPORTED Year Ended December 31, 1997	1996
	(In millions of dollars, except share data)			
Net sales	$5,041	$ 4,932	$4,373	$3,832
Income (loss) from continuing operations	46	(301)	62	(284)
Diluted earnings per share from continuing operations	$ .86	$ (5.86)	$ 1.17	$(5.54)

Early in the first quarter of 1998, the Company completed the sale of the assets of Pabco, a producer of molded calcium silicate insulation, fireproofing board and metal jacketing, acquired as part of the Fibreboard acquisition in 1997. Please see Note 5 to the Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Composite Materials

In the Composite Materials segment, sales were down 6% for the year ended December 31, 1998 compared to 1997, due largely to the disposition (discussed below) of 51% of the Company's yarns and specialty materials business (the "yarns business") late in the third quarter of 1998. Adjusted for the impact of this disposition, sales were flat for the year ended December 31, 1998. Volume increases in North American markets in 1998, particularly during the fourth quarter, were offset by price declines across European and Asian markets. The translation impact of sales denominated in foreign currencies was slightly favorable during 1998. Income from operations was $202 million in 1998, compared to $165 million in 1997. Reflected in income from operations during 1998 are the benefits of productivity improvements and cost reductions from the Company's restructuring program, offset partially by reduced prices during 1998 and the deconsolidation of the Company's yarns business. Please see Notes 1 and 5 to the Consolidated Financial Statements.

During the third quarter of 1998, the Company formed a joint venture for its yarns business to which it contributed two manufacturing plants and certain proprietary technology. On September 30, 1998, the Company completed the sale of 51% of the joint venture to a U.S. subsidiary of Groupe Porcher Industries of Badinieres, France for $340 million. The Company continues to have a 49% ownership interest in the joint venture. Upon closing, the Company also received a distribution of approximately $193 million from the joint venture. By retaining a 49% ownership interest in the joint venture, the Company will continue to safeguard its proprietary technology and participate in the yarns market. Please see Note 5 to the Consolidated Financial Statements.

The consolidated balance sheet of the Company as of December 31, 1998 reflects the third quarter 1998 disposition of the Company's yarns business. The results of operations of the yarns business are reflected in the Company's consolidated statement of income through the period ending September 30, 1998. For the nine months ended September 30, 1998 and the years ended December 31, 1997 and 1996, the yarns business recorded sales of approximately $205 million, $277 million, and $275 million, respectively, and income from operations of approximately $57 million, $80 million and $80 million, respectively. Effective September 30, 1998, the Company accounts for its ownership interest in the yarns joint venture under the equity method.

Accounting Changes

During the first quarter of 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive income includes net income, currency translation adjustments, minimum pension liability adjustments, and deferred gains and losses on certain hedging transactions. Please see the Company's Consolidated Statement of Comprehensive Income.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS 133 is effective for fiscal years beginning after June 15, 1999, but earlier adoption is allowed. The Company has not yet quantified the impact of adopting SFAS 133 and has not determined the timing of or the method of adoption. The Company is aware, however, that the adoption of SFAS 133 could increase volatility in earnings and other comprehensive income.

LIQUIDITY, CAPITAL RESOURCES AND OTHER RELATED MATTERS

Cash flow from operations was $124 million for the year ended December 31, 1998, compared to $131 million for the year ended December 31, 1997. The slight decrease in cash flow from operations in 1998 is largely attributable to a $205 million increase in payments for asbestos litigation claims, net of insurance proceeds, during 1998 compared to 1997. Payments for asbestos litigation claims were $455 million during 1998 and proceeds from insurance were $47 million, compared to $300 million and $97 million, respectively, during 1997. The increase in net payments results principally from the fact that in conjunction with the National Settlement Program (NSP) negotiations in the fourth quarter of 1998, the Company was able to achieve settlements on favorable terms of certain appeals and other pending claims earlier than anticipated. The Company anticipates $850 million of total payments for asbestos litigation claims during 1999 due to the implementation of the Company's NSP, described in Note 22 to the Consolidated Financial Statements. The Company expects that $150 million of insurance proceeds will be available to cover these costs. During 1998, the Company collected a federal income tax refund of approximately $85 million, which favorably impacted cash flow from operations during the year. Please see Notes 17 and 22 to the Consolidated Financial Statements.

Inventories at December 31, 1998 decreased $66 million, including $37 million for divestitures and non-cash write-offs during the third quarter of 1998, from the December 31, 1997 level of $503 million. Receivables at December 31, 1998 were $451 million, a 5% increase over the December 31, 1997 level, due largely to a $40 million increase in sales in December 1998 compared to December 1997. Receivables at December 31, 1998 also reflect a $39 million reduction attributable to the divestitures and non-cash write-offs during the third quarter of 1998. The increase in accounts payable and accrued liabilities from $814 million at December 31, 1997 to $942 million at December 31, 1998 favorably contributed to cash flow from operations during 1998. On an aggregate basis, receivables, inventory, and accounts payable and accrued liabilities at December 31, 1998, adjusted for the divestitures and non-cash write-offs during the third quarter of 1998, reflect improved working capital management during 1998.

At December 31, 1998, the Company's net working capital was negative $354 million and its current ratio was .81, compared to $121 million and 1.09, respectively, at December 31, 1997. A $500 million increase in the current portion of the reserve for asbestos litigation claims, due to the implementation of the Company's National Settlement Program, partially offset by the related income tax benefit, contributed to the decrease in net working capital at December 31, 1998.

The Company's total borrowings at December 31, 1998 were $1.626 billion, $112 million lower than at year-end 1997. Proceeds from the sale of businesses during 1998 were used to reduce debt as well as repurchase the Company's Trust

Preferred Hybrid Securities during the year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

As of December 31, 1998, the Company had unused lines of credit of $1.307 billion available under long-term bank credit facilities and an additional $124 million under short-term facilities, compared to $884 million and $224 million, respectively, at year-end 1997. The net increase in unused available lines of credit reflects the Company's reduced borrowings at December 31, 1998 compared to December 31, 1997, offset partially by an agreed $200 million reduction in the maximum availability from the Company's long-term credit facility during the first quarter of 1998. Letters of credit issued under the facility, most of which support appeals from asbestos trials, also reduce the available credit. The impact of such reduction is reflected in the unused lines of credit discussed above. Please see Note 2 to the Consolidated Financial Statements.

During 1998, the Company implemented a debt realignment program intended to reduce financing costs. This program, which extended the average length of term debt from four years to ten years, included the issuance of a total of $950 million in new debt securities, the repurchase of the Company's $309 million of Trust Preferred Hybrid Securities and the retirement of $361 million of higher-rate debt securities. In connection with this early retirement of debt, the Company paid premiums of approximately $62 million, incurred related non-cash costs of approximately $2 million, and recorded an extraordinary loss of approximately $39 million, or $.72 per share, net of related income taxes of $25 million. Please see Notes 2, 3 ,and 8 to the Consolidated Financial Statements.

Capital spending for property, plant and equipment, excluding acquisitions, was $253 million in 1998. The Company anticipates 1999 capital spending, exclusive of acquisitions and investments in affiliates, will be approximately $225 million, the majority of which is uncommitted. The Company expects that funding for these expenditures will be from the Company's operations and external sources as required.

Asbestos Litigation

Gross payments for asbestos litigation claims during 1998, including payments for claims settled in prior years and excluding amounts payable in future years, were $455 million. The 1998 expenditures include $92 million in defense and other costs. Proceeds from insurance were $47 million resulting in a net pretax cash outflow of $408 million ($245 million after-tax). The increase in 1998 expenditures from 1997 expenditures of approximately $300 million is principally attributable to payments in 1998 for claims resolved in prior years and to the fact that, in conjunction with the National Settlement Program negotiations in the fourth quarter of 1998, Owens Corning was able to achieve additional settlements on favorable terms of certain appeals and other pending claims earlier than anticipated. On December 15, 1998, Owens Corning announced a National Settlement Program (NSP) under which more than 176,000 asbestos claims against the Company will be resolved. Average payments per claim under the NSP are expected to be substantially lower than those experienced by Owens Corning in recent years. Settlement payments aggregating approximately $1.2 billion for cases pending against Owens Corning will be made over a period of up to five years, with most payments occurring in 1999 and 2000. Such payments will be made from the Company's available cash and credit resources. As a result of such payments, the Company's gross payments for asbestos litigation claims will increase in 1999 and 2000 over the levels experienced in recent years. However, such payments are expected to be substantially lower than historical levels in 2001 and subsequent years. The Company's total payments for asbestos litigation claims in 1999, including defense costs, are expected to be approximately $850 million, due principally to payments in conjunction with the NSP. Proceeds from insurance of $150 million are expected to be available to cover these costs resulting in a net pretax cash outflow of $700

ITEM 7.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

million ($450 million after-tax). In addition to providing for the resolution of approximately 176,000 claims against Owens Corning, the NSP establishes administrative processing arrangements with participating law firms under which future asbestos claims will be resolved without litigation, with future claimants to receive specified amounts based on the type and severity of disease and other factors. Please see Note 22 to the Consolidated Financial Statements.

Gross payments for asbestos litigation claims against Fibreboard during 1998 were approximately $129 million, all of which was paid directly by Fibreboard's insurers or from an escrow account funded by its insurers to claimants on Fibreboard's behalf. Fibreboard is a participant in the NSP and is a party to most of the NSP Agreements. If the Global Settlement is overturned by the United States Supreme Court, and the Insurance Settlement therefore becomes effective, it is anticipated that over 100,000 asbestos litigation claims pending against Fibreboard will be resolved under the NSP. Payments of such claims will be made over the next five years with most payments occurring in 1999 and 2000. Such payments will be made from the approximately $2.0 billion in funds available under the Insurance Settlement to resolve pending and future Fibreboard claims. Please see Notes 17 and 22 to the Consolidated Financial Statements.

The Company expects funds generated from operations, together with funds available under long and short term bank credit facilities, to be sufficient to satisfy its debt service obligations under its existing and anticipated indebtedness, its contingent liabilities for uninsured asbestos personal injury claims, as well as its capital expenditure programs and growth agenda.

Environmental Matters

The Company has been deemed by the Environmental Protection Agency (EPA) to be a Potentially Responsible Party (PRP) with respect to certain sites under the Comprehensive Environmental Response, Compensation and Liability Act (Superfund). The Company has also been deemed a PRP under similar state or local laws. In other instances, other PRPs have brought suits or claims against the Company as a PRP for contribution under such federal, state or local laws. During 1998, the Company was designated as a PRP in such federal, state, local or private proceedings for nine additional sites. At December 31, 1998, a total of 37 such PRP designations remained unresolved by the Company, some of which designations the Company believes to be erroneous. The Company is also involved with environmental investigation or remediation at a number of other sites at which it has not been designated a PRP.

The Company has established a $30 million reserve for its Superfund (and similar state, local and private action) contingent liabilities. Based upon information presently available to the Company, and without regard to the application of insurance, the Company believes that, considered in the aggregate, the additional costs associated with such contingent liabilities, including any related litigation costs, will not have a materially adverse effect on the Company's results of operations, financial condition or long-term liquidity.

The 1990 Clean Air Act Amendments (Act) provide that the EPA will issue regulations on a number of air pollutants over a period of years. Until these regulations are developed, the Company cannot determine the extent to which the Act will affect it. The Company anticipates that its sources to be regulated will include wool fiber glass, mineral wool, amino/phenolic resin, secondary aluminum smelting, asphalt processing and roofing, and metal coil coating. The EPA's currently announced schedule is to issue regulations covering wool fiber glass, mineral wool, amino/phenolic resin, secondary aluminum smelting, and asphalt processing and roofing in 1999, and metal coil coating in 2000, with implementation as to existing sources up to three years thereafter. Based on information now known to the Company, including the nature and limited number of regulated materials it emits,

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

the Company does not expect the Act to have a materially adverse effect on the Company's results of operations, financial condition or long-term liquidity.

Year 2000 Readiness

This information should be considered a Year 2000 Readiness Disclosure.

Background

Some of the Company's existing information technology ("IT") systems and control systems containing embedded technology such as processors, controllers and microchips ("Non-IT") were originally programmed using two digits rather than four digits to define the applicable year. As a result, such systems, if not remediated, may experience miscalculations or disruptions when processing information containing dates that fall after December 31,1999 or other dates that could cause computer malfunctions (the "Year 2000 Issue").

The Company's State of Readiness

In recognition of the significance of the Year 2000 Issue, the Company formed a senior management team representing business units and business process functions including information technology, sourcing, logistics and legal. This team oversees the Company's efforts to assess and resolve the Year 2000 Issue. In addition, the Company's individual organizational units have developed, and are implementing, Year 2000 plans. These plans include assessment of all the Company's IT and Non-IT systems and an evaluation of the external environment to identify significant exposure areas and to develop appropriate remediation or other risk management approaches. The Company is also developing business continuity plans to assure that all of its operations are prepared in the case of an unexpected system or supplier failure.

IT Systems

The Company has been actively implementing new systems and technology on a worldwide basis since 1995 as part of its Advantage 2000 program to improve productivity and operational efficiency. One objective of this initiative is to ensure all business transactions are supporting requirements to process data accurately in the year 2000 and beyond. The scope of this program has been continuously expanded to include each of the seventeen acquisitions made by the Company during the past five years.

To date, over 75% of the Company's IT systems are both ready for the year 2000 and are already in operation for daily business transaction processing. This has been accomplished through the comprehensive implementation of enterprise resource planning software across most of the Company's business units. The Company's schedule is to have updated or replaced all remaining IT systems by the end of second quarter 1999. Management expects that most of these remaining IT systems will be in full operation by the end of second quarter 1999 and that all will be in full operation by the end of the third quarter. All significant system changes are currently progressing to achieve this schedule.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Non-IT Systems

The Company has completed an inventory and assessment of substantially all of the Non-IT systems in its operating facilities. Those Non-IT systems that may fail as a result of the Year 2000 Issue have been identified. Corrective actions such as replacement, update or installation of vendor supplied upgrades are currently being performed. Concurrent with this renovation process, the Company is now testing Year 2000 corrections to ensure that Non-IT systems will function properly on key dates in accordance with testing methodologies which management believes are reasonable and reflective of practices employed by comparable companies. As with the IT systems discussed above, the Company plans to have all of the identified technology remediated and tested by the end of second quarter 1999. Most locations will also be operating with these remediated systems within the same time frame; all locations are expected to be using these systems for business operations by the end of third quarter 1999.

External Environment

The Company is working with its suppliers and customers to assess their level of Year 2000 readiness. This process includes both the receipt of confirmation documents as well as selective on-site visits. Critical suppliers have been identified; confirmations received, and now the Company is conducting visits, which are expected to be completed in first quarter 1999. Based upon results of the confirmations and visits, the Company expects to develop any required contingency plans by the end of the second quarter. Such contingency plans will include, as appropriate, using alternate suppliers that are Year 2000 ready.

Estimated Costs

The cumulative cost of systems replacement, remediation and update from 1995 through 1998 has been approximately $145 million, including technology, design and development, and related training and deployment in business locations. The Company currently estimates that its remaining costs to assess and resolve the Year 2000 Issue including the replacement and remediation at all remaining locations are in the range of $25 million to $30 million. These cost estimates are based on currently available information, and may be subject to change.

Risks

If needed modifications and upgrades of systems are not made on a timely basis by the Company or its materially significant suppliers, the Company could experience significant disruptions to one or more of its operations, financial loss, legal liability and similar risks, any of which could have a material adverse effect on the Company's results of operations or financial position. The Company believes that the most reasonably likely worst case scenario would be a short-term slowdown or cessation of manufacturing operations at one or more of the Company's facilities and a short-term inability on the part of the Company to process orders and billings in a timely manner, and to deliver product to customers. In view of the Company's Year 2000 readiness program, including contingency and continuity plans, the Company believes that significant disruptions are unlikely and that any disruptions would be both short-term and manageable.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

The Company is exposed to the impact of changes in foreign currency exchange rates and interest rates in the normal course of business. The Company manages such exposures through the use of certain financial and derivative financial instruments. The Company's objective with these instruments is to reduce exposure to fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rates.

The Company enters into various forward contracts and options, which change in value as foreign currency exchange rates change, to preserve the carrying amount of foreign currency-denominated assets, liabilities, commitments, and certain anticipated foreign currency transactions and earnings. The Company also enters into certain currency and interest rate swaps to protect the carrying amount of its investments in certain foreign subsidiaries, to hedge the principal and interest payments of certain debt instruments, and to manage its exposure to fixed versus floating interest rates.

The Company's policy is to use foreign currency and interest rate derivative financial instruments only to the extent necessary to manage exposures as described above. The Company does not enter into foreign currency or interest rate derivative transactions for speculative purposes.

The Company uses a variance-covariance Value at Risk (VAR) computation model to estimate the potential loss in the fair value of its interest rate-sensitive financial instruments and its foreign currency-sensitive financial instruments. The VAR model uses historical foreign exchange rates and interest rates as an estimate of the volatility and correlation of these rates in future periods. It estimates a loss in fair market value using statistical modeling techniques.

The amounts presented below represent the maximum potential one-day loss in fair value that the Company would expect from adverse changes in foreign currency exchange rates or interest rates assuming a 95% confidence level:

Risk Category	Amount (In millions of dollars)
Foreign currency	$ 1
Interest rate	$ 8

Virtually all of the $8 million potential loss associated with interest rate risk is attributable to fixed-rate long-term debt instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 35 through 90 hereof are incorporated here by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Owens Corning has nothing to report under this Item.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF OWENS CORNING

The information required by this Item is incorporated by reference from the Company's 1999 Proxy Statement except that certain information concerning Owens Corning's executive officers is included on pages 13 through 14 hereof.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the Company's 1999 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference from the Company's 1999 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference from the Company's 1999 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT

1. See Index to Financial Statements on page 34 hereof

2. See Index to Financial Statement Schedules on page 91 hereof

3. See Exhibit Index beginning on page 93 hereof

Management contracts and compensatory plans and arrangements required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K are denoted in the Exhibit Index by an asterisk ("*").

(b) REPORTS ON FORM 8-K

During the fourth quarter of 1998, the Company filed the following current reports on Form 8-K:

(i) Dated October 14, 1998, under Item 2, "Acquisition or Disposition of Assets", and Item 7, "Financial Statements and Exhibits", and including the following financial statements and notes of Owens Corning:

- Pro Forma Balance Sheet as of June 30, 1998 (unaudited)
- Pro Forma Statement of Income for the six months ended June 30, 1998 (unaudited)
- Pro Forma Statement of Income for the year ended December 31, 1997 (unaudited)
- Notes to pro forma financial statements (unaudited)

(ii) Dated December 15, 1998, under Item 5, "Other Events"

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OWENS CORNING

By /s/ Glen H. Hiner — Date March 11, 1999
Glen H. Hiner, Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Glen H. Hiner Glen H. Hiner, Chairman of the Board, Chief Executive Officer and Director	Date March 11, 1999
/s/ Thurston Roach J. Thurston Roach, Senior Vice President and Chief Financial Officer	Date March 11, 1999
/s/ Steven J. Strobel Steven J. Strobel, Vice President and Controller	Date March 11, 1999
/s/ Curtis H. Barnette Curtis H. Barnette, Director	Date March 12, 1999

/s/ Norman P. Blake, Jr. Norman P. Blake, Jr., Director	Date March 12, 1999
Gaston Caperton, Director	Date
Leonard S. Coleman, Jr., Director	Date
/s/ William W. Colville William W. Colville, Director	Date March 12, 1999
/s/ John H. Dasburg John H. Dasburg, Director	Date March 12, 1999
/s/ Landon Hilliard Landon Hilliard, Director	Date March 11, 1999
/s/ Jon M. Huntsman, Jr. Jon M. Huntsman, Jr., Director	Date March 12, 1999
/s/ Ann Iverson Ann Iverson, Director	Date March 11, 1999
W. Walker Lewis, Director	Date
/s/ Furman C. Moseley Furman C. Moseley, Jr., Director	Date March 15, 1999
/s/ W. Ann Reynolds W. Ann Reynolds, Director	Date March 12, 1999

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Owens Corning:

We have audited the accompanying consolidated balance sheet of OWENS CORNING (a Delaware corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens Corning and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

As discussed in Note 6 to the consolidated financial statements, during the fourth quarter of 1997, the Company changed its method of accounting for business process reengineering costs.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Financial Statement Schedules is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

January 25, 1999
Toledo, Ohio

OWENS CORNING AND SUBSIDIARIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Owens Corning and subsidiaries' (the "Company") consolidated financial statements include the accounts of majority owned subsidiaries, unless ownership is considered temporary. Significant intercompany accounts and transactions are eliminated.

Net Income per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the dilutive effect of common equivalent shares and increased shares that would result from the conversion of debt and equity securities. The effects of anti-dilution are not presented. Unless otherwise indicated, all per share information included in the notes to the consolidated financial statements is presented on a diluted basis.

Inventory Valuation

Inventories are stated at cost, which is less than market value, and include material, labor and manufacturing overhead. The majority of U.S. inventories are valued using the last-in, first-out (LIFO) method and the balance of inventories are generally valued using the first-in, first-out (FIFO) method.

Goodwill

Goodwill is carried at cost, less accumulated amortization, and is amortized on a straight-line basis over a period of forty years. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Company uses an estimate of the undiscounted cash flows of the related business over the remaining life of the goodwill in assessing whether the goodwill is recoverable.

Investments in Affiliates

Investments in affiliates are accounted for using the equity method, under which the Company's share of earnings of these affiliates is reflected in income as earned and dividends are credited against the investment in affiliates when received.

Capitalization of Software Developed for Internal Use

The Company capitalizes the direct external and internal costs incurred in connection with the development, testing and installation of software for internal use. Internally developed software is included in plant and equipment and is amortized over its estimated useful life using the straight-line method.

OWENS CORNING AND SUBSIDIARIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Depreciation

For assets placed in service prior to January 1, 1992, the Company's plant and equipment is depreciated primarily using the double-declining balance method for the first half of an asset's estimated useful life and the straight-line method is used thereafter. For assets placed in service after December 31, 1991, the Company's plant and equipment is depreciated using the straight-line method.

Derivative Financial Instruments

Gains and losses on hedges of existing assets or liabilities are included in the carrying amount of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses on hedges of net investments in foreign subsidiaries are included in stockholders' equity. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions also are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Gains and losses on forward currency exchange contracts that do not qualify as hedges are recognized as other income or expense.

Stock Based Compensation Plans

The Company applies Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123) for disclosures of its stock based compensation plans. The Company applies Accounting Principles Board Opinion No. 25 and related Interpretations for expense recognition as permitted by SFAS 123.

Use of Estimates

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to 1997 and 1996 to conform with the classifications used in 1998.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
	(In millions of dollars, except share data)		
NET SALES	$5,009	$4,373	$3,832
COST OF SALES	3,944	3,482	2,840
Gross margin	1,065	891	992
OPERATING EXPENSES			
Marketing and administrative expenses	587	544	500
Science and technology expenses (Note 12)	57	69	84
Provision for asbestos litigation claims (Note 22)	1,415	-	875
Restructure costs (Note 4)	117	68	38
Other (Note 4)	72	28	23
Total operating expenses	2,248	709	1,520
Gain on sale of assets (Note 5)	359	-	37
INCOME (LOSS) FROM OPERATIONS	(824)	182	(491)
Cost of borrowed funds (Notes 2, 3 and 21)	140	111	77
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES	(964)	71	(568)
Provision (credit) for income taxes (Note 11)	(306)	9	(283)
INCOME (LOSS) BEFORE MINORITY INTEREST AND EQUITY IN NET INCOME OF AFFILIATES	(658)	62	(285)
Minority interest (Notes 7 and 8)	(16)	(11)	(8)
Equity in net income of affiliates (Note 15)	8	11	9
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(666)	62	(284)
Extraordinary loss (Note 2)	(39)	-	-
Cumulative effect of accounting change (Note 6)	-	(15)	-
NET INCOME (LOSS)	$(705)	$ 47	$(284)

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(Continued)

	1998	1997	1996
	(In millions of dollars, except share data)		
NET INCOME PER COMMON SHARE (Note 19)			
Basic:			
Income (loss) before extraordinary item and cumulative effect of accounting change	$(12.44)	$ 1.18	$ (5.54)

Extraordinary loss (Note 2)	(.72)	-	-
Cumulative effect of accounting change (Note 6)	-	(.29)	-
Net income (loss) per share	$(13.16)	$ .89	$ (5.54)
Diluted:			
Income (loss) before extraordinary item and cumulative effect of accounting change	$(12.44)	$ 1.17	$ (5.54)
Extraordinary loss (Note 2)	(.72)	-	-
Cumulative effect of accounting change (Note 6)	-	(.29)	-
Net income (loss) per share	$(13.16)	$ .88	$ (5.54)
Weighted average number of common shares outstanding and common equivalent shares during the period (in millions)			
Basic	53.6	52.9	51.3
Diluted	53.6	53.5	51.3

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

	1998	1997	1996
Net income (loss)	$ (705)	$ 47	$ (284)
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	6(a)	(46)	(14)(b)
Minimum pension liability adjustment (net of taxes of $1 million in 1998)	1	-	-
Hedging gains/(losses)	(4)	10	4
Other comprehensive income (loss)	3	(36)	(10)
Comprehensive income (loss)	$ (702)	$ 11	$ (294)

(a) Includes certain reclassifications to net income due to the sale or disposition of certain businesses, the impact of which was not material to other comprehensive income.

(b) Includes $17 million reclassification as an increase to in come from operations due to the sale of the Company's ownership interest in Asahi Fiber Glass Co., Ltd. (Note 5).

During 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. SFAS 130 requires that the Company classify items of other comprehensive income by their nature in the financial statements and display the accumulated balance of other comprehensive income separately in the stockholders' equity section of the Company's consolidated balance sheet.

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1998 AND 1997

ASSETS	1998	1997
	(In millions of dollars)	
CURRENT		
Cash and cash equivalents	$ 54	$ 58
Receivables, less allowances of $23 million in 1998 and $20 million in 1997 (Note 13)	451	432
Inventories (Note 14)	437	503
Insurance for asbestos litigation claims - current portion (Note 22)	150	100
Deferred income taxes (Note 11)	293	160
Assets held for sale (Note 5)	-	41
Income tax receivable (Note 11)	117	96
Other current assets	27	38
Total current	1,529	1,428
OTHER		
Insurance for asbestos litigation claims (Note 22)	260	357
Asbestos costs to be reimbursed - Fibreboard (Note 22)	74	116
Deferred income taxes (Note 11)	608	328
Goodwill, less accumulated amortization of $78 million in 1998 and $45 million in 1997 (Notes 4 and 5)	762	778
Investments in affiliates (Notes 4 and 15)	45	52
Other noncurrent assets (Note 10)	205	184
Total other	1,954	1,815
PLANT AND EQUIPMENT, at cost		
Land	64	66
Buildings and leasehold improvements	701	676
Machinery and equipment	2,476	2,629
Construction in progress	257	214
	3,498	3,585
Less: Accumulated depreciation	(1,880)	(1,832)
Net plant and equipment	1,618	1,753
TOTAL ASSETS	$5,101	$4,996

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1998 AND 1997
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	1998	1997
	(In millions of dollars)	
CURRENT		
Accounts payable and accrued liabilities (Note 16)	$ 942	$ 814
Reserve for asbestos litigation claims - current portion (Note 22)	850	350
Short-term debt (Note 3)	69	23
Long-term debt - current portion (Note 2)	22	120
Total current	1,883	1,307
LONG-TERM DEBT (Note 2)	1,535	1,595
OTHER		
Reserve for asbestos litigation claims (Note 22)	1,780	1,320
Asbestos-related liabilities - Fibreboard (Note 22)	79	123
Other employee benefits liability (Note 9)	326	335
Pension plan liability (Note 10)	55	65
Other	364	165
Total other	2,604	2,008
COMMITMENTS AND CONTINGENCIES (Notes 18, 21 and 22)		

COMPANY OBLIGATED SECURITIES OF ENTITIES

HOLDING SOLELY PARENT DEBENTURES (Notes 7 and 8)	194	503
MINORITY INTEREST	19	24
STOCKHOLDERS' EQUITY		
Preferred stock, no par value; authorized 8 million shares, none outstanding (Note 20)		
Common stock, par value $.10 per share; authorized 100 million shares; issued 1998-54.3 million and 1997-53.6 million shares (Notes 5 and 19)	679	657
Deficit	(1,762)	(1,041)
Accumulated other comprehensive income	(37)	(40)
Other (Note 19)	(14)	(17)
Total stockholders' equity	(1,134)	(441)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,101	$ 4,996

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
COMMON STOCK	(In millions of dollars)		
Balance beginning of year	$ 657	$ 606	$ 579
Issuance of stock for:			
Acquisitions (Note 5)	-	16	20
Awards under stock compensation plans (Note 19)	22	35	7
Balance end of year	679	657	606
DEFICIT			
Balance beginning of year	(1,041)	(1,072)	(781)
Net income (loss)	(705)	47	(284)
Cash dividends declared	(16)	(16)	(7)
Balance end of year	(1,762)	(1,041)	(1,072)
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance beginning of year			
Currency translation adjustment	(47)	(1)	13
Minimum pension liability adjustment	(3)	(3)	(3)
Deferred gains (losses) on hedges	10	-	(4)
Total beginning balance	(40)	(4)	6
Adjustments			
Currency translation adjustment	6	(46)	(14)
Minimum pension liability adjustment	1	-	-
Deferred gains (losses) on hedges	(4)	10	4
Total adjustments	3	(36)	(10)
Balance end of year			
Currency translation adjustment	(41)	(47)	(1)
Minimum pension liability adjustment	(2)	(3)	(3)
Deferred gains (losses) on hedges	6	10	-
Total balance end of year	(37)	(40)	(4)
OTHER			

Balance beginning of year	(17)	(14)	(16)
Net increase (decrease)	3	(3)	2
Balance end of year	(14)	(17)	(14)
STOCKHOLDERS' EQUITY	$(1,134)	$ (441)	$ (484)

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
	(In millions of dollars)		
NET CASH FLOW FROM OPERATIONS			
Net income (loss)	$ (705)	$ 47	$ (284)
Reconciliation of net cash provided by operating activities:			
Noncash items:			
Provision for asbestos litigation claims (Note 22)	1,415	-	875
Extraordinary loss from early retirement of debt (Note 2)	39	-	-
Cumulative effect of accounting change (Note 6)	-	15	-
Provision for depreciation and amortization	197	173	141
Provision (credit) for deferred income taxes (Note 11)	(416)	110	(258)
Gain on sale of assets (Note 5)	(359)	-	(37)
Other (Note 4)	122	49	35
(Increase) decrease in receivables (Note 13)	(58)	57	20
(Increase) decrease in inventories	16	60	(71)
Increase (decrease) in accounts payable and accrued liabilities	120	(60)	103
Disbursements of VEBA trust	-	19	45
Proceeds from insurance for asbestos litigation claims, excluding Fibreboard (Note 22)	47	97	101
Payments for asbestos litigation claims, excluding Fibreboard (Note 22)	(455)	(300)	(267)
Other	161	(136)	(68)
Net cash flow from operations	124	131	335
NET CASH FLOW FROM INVESTING			
Additions to plant and equipment	(253)	(227)	(325)
Investment in subsidiaries, net of cash acquired (Note 5)	-	(564)	(70)
Proceeds from the sale of affiliate or business (Notes 5 and 15)	668	-	55
Other	(33)	(8)	(20)
Net cash flow from investing	$ 382	$(799)	$(360)

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(Continued)

1998	1997	1996

	(In millions of dollars)		
NET CASH FLOW FROM FINANCING (Notes 2, 3 and 8)			
Net additions (reductions) to long-term credit facilities	$ (635)	$ 796	$ 39
Other additions to long-term debt	971	108	22
Other reductions to long-term debt	(494)	(133)	(43)
Net increase (decrease) in short-term debt	41	(81)	32
Repurchase of trust preferred hybrid securities	(309)	-	-
Premiums paid for early retirement of debt	(62)	-	-
Dividends paid	(16)	(14)	(3)
Other	(4)	6	3
Net cash flow from financing	(508)	682	50
Effect of exchange rate changes on cash	(2)	(1)	2
Net increase (decrease) in cash and cash equivalents	(4)	13	27
Cash and cash equivalents at beginning of year	58	45	18
Cash and cash equivalents at end of year	$ 54	$ 58	$ 45

The accompanying summary of significant accounting policies and notes are an integral part of this statement.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Segment Data

During 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). In accordance with SFAS 131, the Company has identified two reportable operating segments and has reported financial and descriptive information about each of those segments below on a basis that is used internally for evaluating segment performance and deciding how to allocate resources to those segments.

To determine its reportable operating segments, the Company's management identified each component of the Company that engages in business activities from which it earns revenue and incurs expenses, whose results are regularly reviewed by a chief operating decision maker to determine the allocation of resources to these businesses, and for which discrete financial information is available, each of which is an operating segment. The Company has aggregated those operating segments which have similar economic characteristics and are similar in the nature of products and services, the nature of production processes, the type or class of customer for their products and services, and the methods used to distribute their products or provide their services.

The Company's two reportable operating segments are defined as follows:

Building Materials

Production and sale of glass wool fibers formed into thermal and acoustical insulation and air ducts; extruded and expanded polystyrene insulation; roofing shingles and asphalt materials; windows and doors; vinyl and metal siding and accessories; cast stone building products; and the branded sale of housewrap.

Composite Materials

Production and sale of glass fiber yarns; rovings, mats and veils; strand and reinforcement products; glass reinforced plastic pipe; and polyester and vinyl ester resins.

Intersegment sales, which include sales of Composite Materials to Building Materials, are generally recorded at market or equivalent value and are included in the internal evaluation of segment performance. Income (loss) from operations by operating segment consists of net sales less related costs and expenses and is presented on a basis that is used internally for evaluating segment performance. Certain categories of expenses such as cost of borrowed funds, general corporate expenses or income, and certain non-recurring expense or income items are excluded from the internal evaluation of segment performance. Accordingly, these items are not reflected in income (loss) from operations for the Company's reportable operating segments. Please refer to the reconciliation of reportable operating segment income from operations to consolidated income before income taxes below for additional information about such items.

Total assets by reportable operating segment are those assets that are used in the Company's operations in each operating segment and do not include general corporate assets. General corporate assets consist primarily of cash and cash equivalents, deferred taxes, asbestos assets, and corporate property and equipment. Please refer to the reconciliation of reportable operating segment assets to consolidated total assets below for additional information about such items.

External customer sales by geographic region are attributed based upon the location from which the product is shipped. Long-lived assets by geographic region are attributed based upon the location of the assets.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Segment Data (Continued)

NET SALES	1998	1997	1996
	(In millions of dollars)		
Reportable Operating Segments			
Building Materials			
United States	$ 3,436	$ 2,704	$ 2,253
Europe	272	301	284
Canada and other	219	212	145
Total Building Materials	3,927	3,217	2,682
Composite Materials			
United States	686	707	723
Europe	372	392	400
Canada and other	135	157	137
Total Composite Materials	1,193	1,256	1,260
Total Reportable Operating Segments	5,120	4,473	3,942
Reconciliation to Consolidated Net Sales			
Composite Materials U.S. sales to Building Materials U.S.	(111)	(100)	(110)
Net Sales	$ 5,009	$ 4,373	$ 3,832
External Customer Sales by Geographic Region			
United States	$ 4,011	$ 3,311	$ 2,866
Europe	644	693	684
Canada and other	354	369	282
Net Sales	$ 5,009	$ 4,373	$ 3,832

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. Segment Data (Continued)

INCOME (LOSS) FROM OPERATIONS	1998	1997	1996
	(In millions of dollars)		
Reportable Operating Segments			
Building Materials			
United States	$ 287	$ 172	$ 247
Europe	14	5	21
Canada and other	10	(5)	13
Total Building Materials	311	172	281
Composite Materials			
United States	167	166	174
Europe	24	(7)	46
Canada and other	11	6	19
Total Composite Materials	202	165	239
Total Reportable Operating Segments	$ 513	$ 337	$ 520
Geographic Regions			
United States	$ 454	$ 338	$ 421
Europe	38	(2)	67
Canada and other	21	1	32
Total Reportable Operating Segments	$ 513	$ 337	$ 520
Reconciliation to Consolidated Income (Loss) Before Provision for Income Taxes			
Restructuring and other charges (Note 4)	(243)	(143)	(85)
Asbestos litigation claims (Note 22)	(1,415)	-	(875)
Gain on sale of affiliate or business (Note 5)	359	-	37
General corporate expense	(38)	(12)	(88)
Cost of borrowed funds	(140)	(111)	(77)
Consolidated Income (loss) before provision for income taxes	$(964)	$ 71	$(568)

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Segment Data (Continued)

TOTAL ASSETS	December 31, 1998	1997	1996
	(In millions of dollars)		
Reportable Operating Segments			
Building Materials			
United States	$1,894	$2,066	$1,033
Europe	279	268	239
Canada and other	220	330	243
Total Building Materials	2,393	2,664	1,515
Composite Materials			
United States	331	438	405
Europe	244	260	355
Canada and other	163	164	206
Total Composite Materials	738	862	966
Total Reportable Operating Segments	$3,131	$3,526	$2,481
Reconciliation to Consolidated Total Assets			
Asbestos insurance asset	484	573	554
Deferred income taxes	901	488	580
Income tax receivable	117	96	4
Cash and cash equivalents	54	58	45
Investments in affiliates	45	52	64
LIFO inventory valuation adjustment	(56)	(74)	(82)
Other general corporate assets	425	277	267
Consolidated Total Assets	$5,101	$4,996	$3,913

Composite Materials			
United States	32	21	63
Europe	35	14	30
Canada and other	4	17	34
Total Composite Materials	71	52	127
Total Reportable Operating Segments	$ 220	$ 181	$ 268
Geographic Regions			
United States	$ 149	$ 103	$ 158
Europe	50	32	40
Canada and other	21	46	70
Total Reportable Operating Segments	$ 220	$ 181	$ 268
ADDITIONS TO GOODWILL (1)	-	446	17
Total Additions to Long-Lived Assets of Reportable Operating Segments	$ 220	$ 627	$ 285

(1) During 1997, the Company made certain acquisitions (Note 5) which included cash expenditures for goodwill of $446 million, of which $431 million was in Building Materials in the U.S., $9 million was in Composite Materials in the U.S., and $6 million was in Building Materials in Europe. During 1996, cash expenditures for goodwill associated with acquisitions were $17 million, of which $10 million is attributable to Building Materials in Europe, $3 million is attributable to Building Materials in Africa, and $4 million is attributable to Composite Materials in Africa.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2. Long-Term Debt

	1998	1997
	(In millions of dollars)	
U.S. credit facility due in 2002, variable	$ 259	$ 899
Asian credit facility due in 2003, variable	29	-
European credit facilities due in 1999, variable	10	34
Debentures due in 2005, 7.5%	300	-
Debentures due in 2008, 7.7%	250	-
Debentures due in 2018, 7.5%	400	-
Guaranteed debentures due in 2001, 10%	42	150
Debentures due in 2002, 8.875%	40	150
Debentures due in 2012, 9.375%	7	150
Guaranteed debentures due in 1998, 9.8%	-	100
U.S. medium term notes due in 2000, 7.0%	60	60
Bonds due in 2000, 7.25%, payable in Deutsche marks (Note 21)	50	50
Eurobonds due through 2001, 9.814% (Note 21)	36	46
Other long-term debt due through 2012, at rates from 5.375% to 12.47%	74	76
	1,557	1,715
Less: Current portion	(22)	(120)
Total long-term debt	$1,535	$1,595

In 1998, the Company amended its long-term revolving credit agreement and reduced the maximum commitment equivalent to $1.8 billion, of which portions can be denominated in Canadian dollars, Belgian francs or British pounds subject to the provisions of the agreement. The agreement allows the Company to borrow under multiple options, which provide for varying terms and interest rates. The commitment fee, charged on the entire commitment, is a sliding scale based on credit ratings and was .25% at December 31, 1998. As of December 31, 1998, $234 million of this facility was used for standby letters of credit and $1.307 billion was unused. The average rate of interest on this facility was 6.25% at December 31, 1998.

The Asian credit facility is payable in U.S. dollars and has an aggregate commitment of 45 million U.S. dollars. The rate of interest on this facility at December 31, 1998 was 6.29%. The commitment fee on the unused portions of the facility was .375% at December 31, 1998.

The European credit facility is payable in U.S. dollars and has an aggregate commitment of 10 million U.S. dollars. The rate of interest on this facility at December 31, 1998 was 5.22%. The commitment fee on the unused portions of the facility was .1% at December 31, 1998.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2. Long Term Debt (Continued)

As is typical for bank credit facilities, the agreements relating to the facilities described above contain restrictive covenants, including requirements for the maintenance of interest coverage, a leverage ratio and minimum coverage of fixed charges; and limitations on the early retirement of subordinated debt, additional borrowings, payment of dividends, and purchase of Company stock. The agreements include a provision which would result in all of the unpaid principal and accrued interest of the facilities becoming due immediately upon a change of control in ownership of the Company. A material adverse change in the Company's business, assets, liabilities, financial condition or results of operations constitutes a default under the agreements.

During the second quarter of 1998, the Company issued two series of debt securities for an aggregate principal amount of $550 million. The first series, representing $300 million of the securities, is due May 1, 2005 and bears an annual rate of interest of 7.5%, payable semiannually. The second series, representing $250 million of the securities, is due May 1, 2008 and bears an annual rate of interest of 7.7%, payable semiannually. Both series of securities (the "Notes") were issued as unsecured obligations of the Company and are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to the greater of (i) 100% of the principal amount of such Notes or (ii) the sum of the present values of the remaining scheduled payments of principal and interest at prevailing market rates.

During the third quarter of 1998, the Company issued a series of debt securities (the "debentures") as unsecured obligations of the Company for an aggregate principal amount of $400 million. The debentures bear an annual rate of interest of 7.5%, payable semiannually, and mature on August 1, 2018. The debentures are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to the greater of (i) 100% of the principal amount of such debentures or (ii) the sum of the present values of the remaining scheduled payments of principal and interest at prevailing market rates. The proceeds from the issuance of the debentures, net of issuance costs, were approximately $395 million. The Company used the net proceeds to pay for the principal and premium amounts of the tender offers of certain other debt securities of the Company described below.

During the third quarter of 1998, the Company commenced cash tender offers (the "tender offers") for an aggregate principal amount of $450 million for the following debt securities: the $150 million aggregate principal amount of the Company's 8 7/8% Debentures due 2002, the $150 million aggregate principal amount of the Company's 9 3/8% Debentures due 2012, and the $150 million aggregate principal amount of the Company's 10% Debentures due 2001. The tender offers were completed on August 3, 1998 and as of that date, approximately $361 million of these Debentures had been tendered. In connection with this early retirement of debt, the Company paid premiums of approximately $62 million, incurred non-cash costs of approximately $2 million, and recorded an extraordinary loss of approximately $39 million, or $.72 per share, net of related income taxes of $25 million.

Additionally, during the third quarter of 1998, the Company repurchased its $309 million of Trust Preferred Hybrid Securities at face value which had been issued in October 1997 as payment for the Company's acquisition of the assets of AmeriMark and also repaid $100 million of other debt which matured in August 1998.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2. Long Term Debt (Continued)

The aggregate maturities and sinking fund requirements for all long-term debt issues for each of the five years following December 31, 1998 are:

Year	Credit Facilities	Other Long-Term Debt
	(In millions of dollars)	
1999	$ 10	$ 12
2000	-	133
2001	-	63
2002	259	81
2003	29	1

3.Short-Term Debt

	1998	1997
	(In millions of dollars)	
Balance outstanding at December 31	$ 69	$ 23
Weighted average interest rates on short-term debt outstanding at December 31	6.4%	5.9%

The Company had unused short-term lines of credit totaling $124 million and $224 million at December 31, 1998 and 1997, respectively.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. Restructuring of Operations and Other Actions

During the third quarter of 1998, the Company recorded a $148 million pretax charge for restructuring and other actions as the final phase of the Company's previously announced program to close manufacturing facilities, enhance manufacturing productivity and reduce overhead. On a cumulative basis since the fourth quarter of 1997, the Company has recorded a total pretax charge of $386 million, of which $143 million was recorded in the fourth quarter of 1997, $95 million was recorded in the first quarter of 1998, and $148 million was recorded in the third quarter of 1998.

The $148 million pretax charge in the third quarter of 1998 was comprised of a $30 million charge associated with the restructuring of the Company's business segments and a $118 million charge associated with other actions, the majority of which represent asset impairments. The $30 million restructure charge has been classified as a separate component of operating expenses on the Company's consolidated statement of income while the $118 million charge for other actions is comprised of a $60 million charge to cost of sales, a $4 million charge to marketing and administrative expenses, and a $54 million charge to other operating expenses. The components of the restructure charge include $9 million for personnel reductions and $21 million for the divestiture of non-strategic businesses and facilities, of which $20 million represents non-cash asset write-downs to estimated fair value and $1 million represents exit cost liabilities, comprised primarily of lease commitments. The $9 million for personnel reductions represents severance costs associated with the elimination of approximately 400 positions, primarily in the U.S. and Asia. The primary groups affected include manufacturing and administrative personnel. As of December 31, 1998, approximately $1 million has been paid and charged against the reserve for personnel reductions, representing the elimination of approximately 200 positions, the majority of whose severance payments will be made over the course of 1999. No charges have been made against exit cost liabilities and no adjustments have been made to the liability.

The components and classification of the $118 million of other actions, of which $103 million represents non-cash asset revaluations, include: $30 million to write down to fair value certain manufacturing assets held for use in China, due primarily to poor current and projected financial results, recorded as cost of sales; $15 million to write down to net realizable value equipment and inventory made obsolete by changes in the Company's manufacturing and marketing strategies, recorded as cost of sales; $17 million for the write-down of an investment in and the write-off of a receivable from a joint venture in Korea to reflect the current business outlook and the fair market value of the assets, recorded as other operating expenses; $12 million for the write-down of goodwill associated with the 1995 acquisition of Fiber-lite, determined to be unrecoverable due to a change in market conditions and customer demand, recorded as other operating expenses; and $9 million for the write-down of certain assets in the U.S. to fair market value, recorded as cost of sales. The Company plans to hold and use the investments but disposed of the equipment in 1998. Also included in the $118 million charge for other actions are $13 million for the write-off of certain receivables in the U.S. and Asia determined to be uncollectable, recorded as cost of sales and other operating expenses; and $22 million for other actions recorded as cost of sales, marketing and administrative expenses, and other operating expenses.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. Restructuring of Operations and Other Actions (Continued)

During the first quarter of 1998, the Company recorded a $95 million pretax charge for restructuring and other actions as the second phase of the Company's strategic restructuring program to enhance manufacturing productivity and reduce overhead.

The $95 million pretax charge in the first quarter of 1998 was comprised of an $87 million charge associated with the restructuring of the Company's business segments and an $8 million charge associated with other actions. The $87 million restructure charge has been classified as a separate component of operating expenses on the Company's consolidated statement of income while the $8 million charge for other actions is comprised of a $5 million charge to cost of sales and a $3 million charge to marketing and administrative expenses. The components of the restructure charge include $81 million for personnel reductions and $6 million for the divestiture of non-strategic businesses and facilities, of which $2 million represents exit cost liabilities, comprised primarily of lease commitments. The $81 million for personnel reductions represents severance costs associated with the elimination of approximately 1,500 positions worldwide. The primary employee groups affected include manufacturing and corporate administrative personnel. As of December 31, 1998, approximately $51 million has been paid and charged against the reserve for personnel reductions, representing the elimination of approximately 1,500 employees, the majority of whose severance payments were made over the course of 1998, and approximately $2 million has been charged against exit cost liabilities. No adjustments have been made to the liability.

During the fourth quarter of 1997, the Company recorded a $143 million pretax charge for restructuring and other actions as the first phase of the program to close manufacturing facilities, enhance manufacturing productivity and reduce overhead. The $143 million pretax charge was comprised of a $68 million charge associated with the restructuring of the Company's business segments and a $75 million charge associated with asset impairments, including investments in certain affiliates. The components of the restructure charge include $25 million for personnel reductions; $41 million for the divestiture of non-strategic businesses and facilities, of which $13 million represents exit cost liabilities, primarily for leased warehouse and office facilities to be vacated, and $28 million represents non-cash asset revaluations; and $2 million for other actions. The divestiture of non-strategic businesses and facilities includes the closure of the Candiac, Quebec manufacturing facility which was completed in the first quarter of 1998.

The $25 million for personnel reductions during the fourth quarter of 1997 represents severance costs associated with the elimination of nearly 550 positions worldwide. The primary employee groups affected include manufacturing and corporate administrative personnel. As of December 31, 1998, approximately $20 million has been paid and charged against the reserve for personnel reductions, representing the elimination of approximately 550 employees, the majority of whose severance payments were made over the course of 1998, and approximately $8 million has been charged against exit cost liabilities. No adjustments have been made to the liability.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. Restructuring of Operations and Other Actions (Continued)

The components of the $75 million of other actions during the fourth quarter of 1997 and their classification on the Company's 1997 consolidated statement of income are as follows: $17 million for the write off of certain assets and investments associated with unconsolidated joint ventures in Spain and Argentina due primarily to poor current and projected financial results and the expected loss of local partners, recorded as other operating expenses; $12 million for the write-down of certain investments in mainland China to reflect the current business outlook and the fair market value of the investments, recorded as cost of sales; $24 million to write down to net realizable value equipment -and inventory made obsolete by changes in the Company's manufacturing and marketing strategies, recorded as cost of sales; $8 million for a supplemental employee retirement plan approved by the Board of Directors in December 1997, recorded as marketing and administrative expenses; $5 million for the write-off of an insurance receivable that was determined to be uncollectable after judicial rejection of the Company's claim, recorded as other operating expenses; and $9 million for several other actions recorded as cost of sales, marketing and administrative expenses, and other operating expenses. The Company plans to hold and use the investments but has disposed of most of the equipment in 1998.

The following table summarizes the status of the liabilities from the restructure program described above, including cumulative spending and adjustments and the remaining balance as of December 31, 1998:

(In millions of dollars)	Beginning Liability	Total Payments	Ending Liability
Personnel Costs	$ 115	$ (72)	$ 43
Facility and Business Exit Costs	16	(10)	6
Other	2	(2)	-
Total	$ 133	$ (84)	$ 49

During the fourth quarter of 1996, the Company recorded a

$43 million pretax charge for restructuring and other actions which included the costs associated with a work force realignment, a replacement of computer technology as well as asset valuations and expenses related to exited businesses. The $43 million pretax charge was comprised of a $38 million restructure charge and a $5 million charge related to an exited business. The components of the restructure charge included $20 million for personnel reductions, $8 million in computer technology and $10 million for asset valuations and exited businesses. The $20 million for personnel reductions represented severance costs associated with the elimination of nearly 400 positions worldwide. The primary employee group affected was manufacturing personnel. At December 31, 1998, there is no remaining balance in the reserve.

The Company continually evaluates whether events and circumstances have occurred that indicate that the carrying amount of certain long-lived assets is recoverable. When factors indicate that a long-lived asset should be evaluated for possible impairment, the Company uses an estimate of the expected undiscounted cash flows to be generated by the asset to determine whether the carrying amount is recoverable or if an impairment exists. When it is determined that an impairment exists, the Company uses the fair market value of the asset, usually measured by the discounted cash flows to be generated by the asset, to determine the amount of the impairment to be recorded in the financial statements.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. Acquisitions and Divestitures of Business

Acquisitions

During 1997, the Company made several acquisitions in the Building Materials segment in the United States and Europe and two acquisitions in the Composite Materials segment in the United States and Canada. These acquisitions were consummated through the exchange of various combinations of common stock, cash, and trust preferred hybrid securities (Note 8) for an aggregate purchase price of $886 million. The largest of these was the acquisition of Fibreboard Corporation (Fibreboard), a North American manufacturer of vinyl siding and accessories, as well as manufactured stone, which operates more than 130 company-owned distribution centers in 32 states. The purchase price of this acquisition was $660 million, including debt assumed of $138 million and was consummated by the exchange of cash for all of the outstanding common shares of Fibreboard at a price of $55 per share. At the time of acquisition, management formulated a plan to divest Fibreboard's calcium silicate insulation and metal jacket business (Pabco), the assets of which were included in assets held for sale on the Company's consolidated balance sheet at December 31, 1997. During the first quarter of 1998, the Company sold Pabco for approximately $37 million, of which $31 million was received in cash and $6 million as a note receivable. The Company collected the entire $6 million note receivable during 1998.

The second largest acquisition in 1997 was the acquisition of AmeriMark Building Products, Inc. (AmeriMark), a specialty building products company serving the exterior residential housing industry. The acquisition was completed for a purchase price of $317 million and was consummated by the exchange of $309 million in trust preferred hybrid securities and $8 million in cash for the net assets of AmeriMark.

The Company completed four additional acquisitions during 1997 in the U.S., Europe and Canada. The aggregate purchase price of these acquisitions was $47 million. These acquisitions exchanged 340,000 shares of the Company's common stock and $34 million in cash. Additionally, during 1997, the Company issued 178,218 shares of its common stock as a final adjustment to certain of its 1995 acquisitions.

During 1996 the Company also made several acquisitions in the Building Materials segment in the United States, Canada and Europe. The 1996 acquisitions exchanged 472,250 shares of the Company's common stock and $69 million in cash.

The incremental sales from the acquisitions, in the year of acquisition, were $534 million and $47 million for the years ended December 31, 1997 and 1996, respectively. The pro forma effect of the 1997 and 1996 acquisitions, except for the acquisitions of Fibreboard and AmeriMark, was not material to net income for the year ended December 31, 1997 or 1996.

All acquisitions were accounted for under the purchase method of accounting, whereby the assets acquired and liabilities assumed have been recorded at their fair values and the results of operations for the acquisitions have been included in the Company's consolidated financial statements subsequent to the dates of acquisition. The estimated fair value of assets acquired during 1997 was $1.409 billion, and liabilities assumed, including $150 million in debt, totaled $523 million. Total assets acquired during 1997 included goodwill of $546 million, of which $446 million represents a cash expenditure. The 1996 acquisitions included goodwill of $32 million.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. Acquisitions and Divestitures of Business (Continued)

The following unaudited table presents the pro forma results of operations for the years ended December 31, 1997 and 1996, assuming the acquisitions of Fibreboard and AmeriMark occurred at the beginning of each period presented. These results include certain adjustments, primarily for depreciation and amortization, interest and other expenses directly attributable to the acquisition and are not necessarily indicative of what the results would have been had the transactions actually occurred at the beginning of the periods presented. The pro forma results do not include operations that were discontinued by Fibreboard prior to the acquisition, or Pabco.

	Year Ended December 31, 1997	1996
	(In millions of dollars, except share data)	
Net sales	$ 5,041	$ 4,932
Income (loss) from continuing operations	46	(301)
Diluted earnings per share from continuing operations	$ .86	$ (5.86)

Divestitures

Late in the first quarter of 1998, the Company sold its 50% ownership interest in Alpha/Owens-Corning, LLC. With cash proceeds of approximately $103 million, the Company recorded a pretax gain of approximately $84 million.

During the third quarter of 1998, the Company formed a joint venture for its yarns and specialty materials business (the "yarns business") to which it contributed two manufacturing plants and certain proprietary technology. On September 30, 1998, the Company completed the sale of 51% of the joint venture to a U.S. subsidiary of Groupe Porcher Industries of Badinieres, France for $340 million. The Company continues to have a 49% ownership interest in the joint venture. Upon closing, the Company also received a distribution of $193 million from the joint venture. In connection with the sale, the Company entered into an agreement with the joint venture to support the liquidity of the joint venture up to a maximum of $65 million. As a result of the sale of 51% interest in the yarns joint venture and the receipt of the distribution from the joint venture, the Company recorded a pretax gain of $295 million, net of its commitment under the agreement referred to above.

The consolidated balance sheet of the Company as of December 31, 1998 reflects the third quarter 1998 disposition of the Company's yarns business. The results of operations of the yarns business are reflected in the Company's consolidated statement of income through the period ending September 30, 1998. For the nine months ended September 30, 1998 and the years ended December 31, 1997 and 1996, the yarns business recorded sales of approximately $205 million, $277 million, and $275 million, respectively, and income from operations of approximately $57 million, $80 million, and $80 million, respectively. Effective September 30, 1998, the Company accounts for its ownership interest in the yarns joint venture under the equity method.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. Acquisitions and Divestitures of Business (Continued)

Additionally, during the third quarter of 1998, the Company sold its Kitsons distribution business in the U.K. and its windows manufacturing business in the U.S. and recorded a pretax loss of approximately $20 million.

During 1996, the Company sold its ownership interest in its Japanese affiliate Asahi Fiber Glass Co. Ltd., and recorded a pretax gain of $37 million.

6. Business Process Reengineering Costs

In the fourth quarter of 1997, the Company recorded a $15 million charge, or $.29 per share, net of related income taxes of $10 million, to comply with a new required accounting interpretation announced November 20, 1997. The Emerging Issues Task Force (EITF), a subcommittee of the Financial Accounting Standards Board (FASB), requires that the cost of business process reengineering activities that are part of a systems development project be expensed as those costs are incurred. Any unamortized costs that had previously been capitalized were written off as a cumulative adjustment in the fourth quarter of 1997.

7.Convertible Monthly Income Preferred Securities (MIPS)

In 1995, Owens-Corning Capital, LLC ("OC Capital"), a Delaware limited liability company, all of the common limited liability company interests in which are owned indirectly by the Company, completed a private offering of 4 million shares of Convertible Monthly Income Preferred Securities ("Preferred Securities"). The aggregate purchase price for the offering was $200 million. In conjunction with the offering, the Company incurred $6 million in issuance costs.

The Preferred Securities are guaranteed in certain respects by the Company and are convertible, at the option of the holders, into Company common stock at the rate of 1.1416 shares of Company common stock for each Preferred Security (equivalent to a conversion price of $43.80 per common share). Effective June 1, 1998, OC Capital can initiate conversion. Distributions on the Preferred Securities are cumulative and are payable at the annual rate of 6-1/2% of the liquidation preference of $50 per Preferred Security. Distributions of $13 million ($8 million after-tax) have been recorded net of tax as minority interest on the Company's consolidated statement of income for each of the years ended December 31, 1998, 1997 and 1996.

The Company issued $200 million of 6-1/2% Convertible Subordinated Debentures due 2025 to OC Capital, which represents the sole asset of OC Capital, in exchange for the proceeds of the offering.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

8. Trust Preferred Hybrid Securities

In 1997, the Company delivered 6,180,000 7% Income PRIDES securities ("Hybrid Securities") in payment of $309 million of the purchase price for the Company's acquisition of the assets of AmeriMark Building Products, Inc. (Note 5). Each Hybrid Security represented (i) beneficial ownership by the holder of one 7% Trust Preferred Security ("Trust Preferred Security") of Owens Corning Capital III, a Delaware statutory business trust all of the common securities of which are owned by the Company (the "Trust"), having a liquidation amount of $50, providing for cumulative distributions at the rate of 7% per annum through November 15, 2000 and at a reset rate thereafter, and guaranteed in certain respects by the Company, and (ii) the obligation of the holder under a contract with the Company for the purchase on November 16, 2000, at a price of $50, of a number of shares of the Company's common stock as determined by a formula based on the market price of common stock. The aggregate number of shares issuable under such formula ranged from 6.2 million to 8.5 million. The Company issued $319 million of 7% Debentures due November 15, 2002 to the Trust, which represented the sole asset of the Trust, in exchange for the Trust Preferred Securities and the common securities of the Trust.

Distributions of $13 million and $5 million ($8 million and $3 million after-tax, respectively) pursuant to the Trust Preferred Securities have been recorded net of tax as minority interest during 1998 and 1997, respectively.

During the third quarter of 1998, the Company repurchased the Hybrid Securities at face value and redeemed the Debentures.

9. Postemployment and Postretirement Benefits Other Than Pensions

The Company and its subsidiaries maintain health care and life insurance benefit plans for certain retired employees and their dependents. The health care plans in the U.S. are unfunded and pay either 1) stated percentages of covered medically necessary expenses, after subtracting payments by Medicare or other providers and after stated deductibles have been met, or, 2) fixed amounts of medical expense reimbursement.

Employees become eligible to participate in the health care plans upon retirement under the Company's pension plans if they have accumulated 10 years of service after age 45. Some of the plans are contributory, with some retiree contributions adjusted annually. The Company has reserved the right to change or eliminate these benefit plans subject to the terms of collective bargaining agreements.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132). In accordance with SFAS 132, the following tables provide a reconciliation of the changes in the accumulated postretirement benefits obligation and the accrued benefits cost liability at October 31, 1998 and 1997, as reflected on the consolidated balance sheet at December 31, 1998 and 1997:

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

9. Postemployment and Postretirement Benefits Other Than Pensions (Continued)

	1998	1997
	(In millions of dollars)	
Change in Accumulated Postretirement Benefit Obligation		

Benefits obligation at beginning of period	$ 328	$ 277
Service cost	9	7
Interest cost	23	20
Amendments	(2)	-
Impact of curtailment	(12)	-
Actuarial (gain) loss	18	37
Acquisitions	-	7
Benefits paid	(21)	(20)
Benefits obligation at end of period	$ 343	$ 328
Funded status	$ (343)	$ (328)
Unrecognized net actuarial (gain) loss	37	30
Unrecognized prior service cost	(11)	(32)
Benefit payments subsequent to valuation date	3	4
Accrued benefit cost (includes current liabilities of $21 million and $24 million in 1998 and 1997, respectively)	$ (314)	$ (326)
Weighted-average assumptions as of December 31	1998	1997
Discount rate	7.0%	7.25%

The following table presents the components of net periodic benefits cost during 1998 and 1997:

Components of net periodic benefit cost	1998	1997	1996
	(In millions of dollars)		
Service cost	$ 9	$ 7	$ 8
Interest cost	23	20	19
Amortization of prior service cost	(20)	(20)	(20)
Curtailment (gain) loss	(3)	-	-
Net periodic benefit cost	$ 9	$ 7	$ 7

For measurement purposes, a 7% annual rate of increase in the per capita cost of covered health care claims was assumed for 1999. The rate was assumed to decrease to 6% for 2000 and thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one-percentage point change in the assumed health care cost trend rate would have the following effects as of October 31, 1998 and 1997:

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

9. Postemployment and Postretirement Benefits Other Than Pensions (Continued)

	1998 1-Percentage Point Increase	1998 1-Percentage Point Decrease	1997 1-Percentage Point Increase	1997 1-Percentage Point Decrease
	(In millions of dollars)			
Effect on total of service and interest cost components	$ 4	$ (3)	$ 3	$ (3)
Effect on accumulated postretirement benefit obligation	31	(27)	25	(24)

The Company also recognizes the obligation to provide benefits to former or inactive employees after employment but before retirement under certain conditions. These benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as health care and life insurance coverage. The accrued postemployment benefits cost liability at October 31, 1998 and 1997, as reflected on the balance sheet at December 31, 1998 and 1997 was $36 million and $37 million, respectively, including current liabilities of $3 million and $4 million, respectively. The net postemployment benefits expense was $2 million in 1998, less than $1 million in 1997, and $2 million in 1996.

10. Pension Plans

The Company has several defined benefit pension plans covering most employees. Under the plans, pension benefits are generally based on an employee's pay and number of years of service. Company contributions to these pension plans are based on the calculations of independent actuaries using the projected unit credit method. Plan assets consist primarily of equity securities with the balance in fixed income investments. The unrecognized cost of retroactive amendments and actuarial gains and losses are amortized over the average future service period of plan participants expected to receive benefits.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132). In accordance with SFAS 132, the following tables provide a reconciliation of the changes in the projected pension benefits obligation, the changes in the pension plan assets, and the net pension liability at October 31, 1998 and 1997, as reflected on the consolidated balance sheet at December 31, 1998 and 1997:

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

10. Pension Plans (Continued)

Change in Projected Pension Benefit Obligation	1998	1997
	(In millions of dollars)	
Benefit obligation at beginning of period	$ 997	$ 841
Service cost	19	15
Interest cost	69	64
Amendments	2	-
Impact of curtailment	(7)	(10)
Impact of foreign currency translation	(7)	4
Actuarial (gain) loss	70	81
Acquisitions	-	89
Employee contributions	3	3
Benefits paid	(171)	(90)
Benefit obligation at end of period	$ 975	$ 997

Benefits paid during 1998 reflect the impact of the Company's restructuring program and the sale of certain businesses. (Notes 4 and 5)

Change in Pension Plan Assets	1998	1997
	(In millions of dollars)	
Fair value of plan assets at beginning of period	$ 1,059	$ 860
Actual return on plan assets	74	179
Impact of foreign currency translation	(9)	4
Acquisitions	-	96
Employer contributions	4	2
Employee contributions	3	2
Settlement	(5)	-
Benefits paid	(165)	(84)
Fair value of plan assets at end of period	$ 961	$1,059
Funded status	$ (14)	$ 62
Unrecognized net transition (asset) obligation	(31)	(38)
Unrecognized net actuarial (gain) loss	77	16
Unrecognized prior service cost	(32)	$ (48)
Prepaid (accrued) benefit cost	$ -	$ (8)

Amounts Recognized in the Consolidated Balance Sheet	1998	1997
Prepaid benefit cost (includes noncurrent assets only)	$ 53	$ 53
Accrued benefit liability (includes current liabilities of less than $1 million in 1998 and 1997)	(56)	(65)
Accumulated other comprehensive income	3	4
Net Amount Recognized	$ -	$ (8)

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

10. Pension Plans (Continued)

Weighted-average assumptions as of December 31	1998	1997

Discount rate	7.00%	7.25%
Expected return on plan assets	9.00%	9.00%
Rate of compensation increase	5.50%	5.00%

The following table presents the components of net periodic pension cost during 1998 and 1997:

Components of Net Periodic Pension Cost	1998	1997	1996
	(In millions of dollars)		
Service cost	$ 19	$ 15	$ 14
Interest cost	69	64	62
Expected return on plan assets	(83)	(84)	(82)
Amortization of transition amount	(5)	(5)	(5)
Amortization of prior service cost	(7)	(7)	(7)
Amortization of net actuarial (gain) loss	4	11	13
Curtailment (gain) loss	1	2	-
Net periodic benefit cost	$(2)	$(4)	$ (5)

Certain of the Company's pension plans have an accumulated benefit obligation (ABO) in excess of the fair value of plan assets. The ABO and fair value of plan assets for such plans are $744 million and $707 million, respectively, at October 31, 1998, and $787 million and $769 million, respectively, at October 31, 1997.

Certain of the Company's pension plans are unfunded. The portion of the total projected benefit obligation attributable to unfunded plans is approximately $13 million and $14 million at October 31, 1998 and 1997, respectively.

The Company also sponsors defined contribution plans available to substantially all U.S. employees. Company contributions for the plans are based on matching a percentage of employee savings up to a maximum savings level. The Company's contributions were $14 million in 1998, $13 million in 1997, and $10 million in 1996.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11. Income Taxes

	1998	1997	1996
	(In millions of dollars)		
Income (loss) before provision (credit) for income taxes:			
U.S.	$(897)	$ 151	$ (609)
Foreign	(67)	(80)	41
Total	$(964)	$ 71	$ (568)
Provision (credit) for income taxes:			
Current			
U.S.	$(86)	$(123)	$ (31)
State and local	-	1	(6)
Foreign	5	21	12
Total current	(81)	(101)	(25)
Deferred			
U.S.	(203)	151	(211)
State and local	(20)	(3)	(48)
Foreign	(2)	(38)	1
Total deferred	(225)	110	(258)
Total provision (credit) for income taxes	$(306)	$ 9	$(283)

The reconciliation between the U.S. federal statutory rate and the Company's effective income tax rate is:

	1998	1997	1996
U.S. federal statutory rate	(35)%	35%	(35)%
State and local income taxes	(1)	5	(6)
Adjustment of tax reserves due to favorable legislation	-	-	(5)
Operating losses of foreign subsidiaries	3	24	-
Foreign tax credits	-	(6)	-
Change in effective state income tax rate	-	(9)	-
Conclusion of prior year tax audits	-	(4)	-
Utilization of tax loss carrybacks	-	(20)	-

Adjustment of valuation allowances	-	(10)	(1)
Special tax election (a)	(1)	-	-
Other	2	(3)	(3)
Effective tax rate	(32)%	12%	(50)%

(a) Represents a one-time tax benefit associated with Asia Pacific operations.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11. Income Taxes (Continued)

As of December 31, 1998, the Company has not provided for withholding or U.S. federal income taxes on approximately $223 million of accumulated undistributed earnings of its foreign subsidiaries as they are considered by management to be permanently reinvested. If these undistributed earnings were not considered to be permanently reinvested, approximately $16 million of deferred income taxes would have been provided.

At December 31, 1998, the Company had net operating loss carryforwards for certain of its foreign subsidiaries and certain of its state tax jurisdictions, the tax benefit of which is approximately $157 million. Tax benefits of $74 million expire over the period from 1999 through 2013, and the remaining $83 million have an indefinite carryforward.

The cumulative temporary differences giving rise to the deferred tax assets and liabilities at December 31, 1998 and 1997 are as follows:

	1998		1997	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
	(In millions of dollars)			
Asbestos litigation claims	$ 844	$ -	$ 455	$ -
Other employee benefits	142	-	152	-
Pension plans	23	12	24	14
Depreciation	-	217	-	233
Operating loss carryforwards	157	-	101	-
State and local taxes	-	60	-	43
Other	237	155	190	110
Subtotal	1,403	444	922	400
Valuation allowances	(58)	-	(34)	-
Total deferred taxes	$ 1,345	$ 444	$ 888	$ 400

Management fully expects to realize its net deferred tax assets through income from future operations.

12. Science and Technology Expenses

Science and technology expenses include research and development costs of $57 million in 1998, $69 million in 1997, and $78 million in 1996. In addition to research and development costs, science and technology expenses include continuing commercial activities such as engineering and product modifications for special applications and testing in 1996.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

13. Accounts Receivable Securitization

In 1998, 1997 and 1996, the Company sold certain accounts receivable of its Building Materials operations to a 100% owned subsidiary, Owens-Corning Funding Corporation ("OC Funding"). OC Funding has an agreement whereby it can sell, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable, up to a maximum of $125 million, which expires in December 1999.

At December 31, 1998 and 1997, $125 million and $100 million have been sold under this agreement, respectively, and the sale has been reflected as a reduction of accounts receivable in the Company's consolidated balance sheet.

In 1998 and 1997, the Company also sold certain accounts receivable of certain European operations. At December 31, 1998 and 1997, $71 million and $33 million have been sold, respectively, and the sale has been reflected as a reduction of accounts receivable in the Company's consolidated balance sheet.

The Company maintains an allowance for doubtful accounts based upon the expected collectibility of all consolidated trade accounts receivable, including receivables sold by OC Funding and the European operations. Discounts of $9 nillion, $6 million, and $6 million on the receivables sold have been recorded as other expenses on the Company's consolidated statement of income for the years ended December 31, 1998, 1997, and 1996.

14. Inventories

Inventories are summarized as follows:

	1998	1997
	(In millions of dollars)	
Finished goods	$317	$363
Materials and supplies	176	214
FIFO inventory	493	577
Less: Reduction to LIFO basis	(56)	(74)
Total inventory	$437	$503

ipproximately $271 million and $365 million of FIFO nventories were valued using the LIFO method at December 31, 1998 and 1997, respectively.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. Investments in Affiliates

t December 31, 1998 and 1997, the Company's affiliates, hich generally are engaged in the manufacture of fibrous lass and related products for the insulation, construction, einforcements, and textile markets, include:

	Percent Ownership 1998	1997
Advanced Glassfiber Yarns, LLC	49%	-
Alpha/Owens-Corning, LLC (USA)	-	50%
Amiantit Fiberglass Industries, Ltd. (Saudi Arabia)	30%	30%
Arabian Fiberglass Insulation Company, Ltd. (Saudi Arabia)	49%	49%
Flowtite (Botswana) (Proprietary) Limited	49%	49%
* Flowtite Iberica, S.A. (Spain)	100%	100%
LG Owens-Corning Corporation (Korea)	30%	30%
OC Andercol Tuberias S.A. (Colombia)	50%	50%
Owens-Corning (India) Limited	49%	49%
Owens Corning (Nanjing) (China)	50%	51%
Owens-Corning Yapi Merkezi Boru Sanayi VeTicaret A.S.(Turkey)	50%	50%
* Owens-Corning Canos, S.A. (Argentina)	100%	100%
Owens-Corning Eternit Rohre GmbH (Germany)	50%	50%
Siam Fiberglass Co., Ltd. (Thailand)	17%	17%
Vitro-Fibras, S.A. (Mexico)	40%	40%

In late 1997, the Company acquired 100% ownership of Owens-Corning Canos, S.A. and Flowtite Iberica, S.A. The Company considers its 100% ownership to be temporary and therefore continues to account for them as unconsolidated affiliates under the equity method.

e following table provides summarized financial formation on a combined 100% basis for the Company's filiates accounted for under the equity method:

1998	1997	1996

operations was $130 million in 1998, $124 million in 1997, and $87 million in 1996. At December 31, 1998, the minimum future rental commitments under noncancellable leases payable over the remaining lives of the leases are:

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

18. Leases (Continued)

Period	Minimum Future Rental Commitments (In millions of dollars)
1999	$ 82
2000	68
2001	54
2002	42
2003	36
2004 through 2015	110
	$ 392

19. Stock Compensation Plans

The Company currently has three stock-based compensation plans. The Company's Stock Performance Incentive Plan ("SPIP") grants stock options, restricted stock, performance restricted stock and phantom performance units. The Owens Corning 1995 Stock Plan ("95 Stock Plan") grants options, restricted stock and performance stock awards. The SPIP and the 95 Stock Plan (collectively, the "Plans"), permit up to two percent and one percent, respectively, of common shares outstanding at the beginning of each calendar year to be awarded as stock options and restricted stock (with 25% of this amount as the maximum permitted number of restricted stock awards). The Company may carry forward, independently for each plan, unused shares from prior years and may increase the shares available for awards in any calendar year through an advance of up to 25% of the subsequent year's allocation (determined by using 25% of the current year's allocation). These shares are also subject to the 25% limit for restricted stock awards. During 1998, the maximum number of shares available under the Plans for stock awards was 2,642,483 shares. The following are descriptions of the awards granted under the Plans:

Stock Options

Under the Plans, the exercise prices of each option equal the market price of the Company's common stock on the date of grant and an option's maximum term is 10 years. Shares issued from the exercise of options are recorded in the common stock accounts at the option price. The awards and vesting periods of such awards are determined at the discretion of the compensation committee of the board of directors. During 1998, 1997 and 1996, respectively, 1,747,472, 1,103,027 and 1,102,510 stock options were awarded under the Plans.

Restricted Stock Awards

Under the Plans, compensation expense is measured based on the market price of the stock at date of grant and is recognized on a straight-line basis over the vesting period. Stock restrictions lapse, subject to alternate vesting plans for death, disability, approved early retirement and involuntary termination, over various periods ending in 2004. At December 31, 1998, the Company had 244,400 shares of restricted stock outstanding. During 1998, 1997 and 1996, 64,550, 77,250 and 78,510 shares of restricted stock were granted, respectively. The weighted-average grant-date fair value for shares granted was $30.36, $44.66, and $42.67 for 1998, 1997 and 1996, respectively.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Stock Compensation Plans (Continued)

Performance Restricted Stock Awards

Under the Plans, certain officers are awarded performance shares. Performance shares represent the opportunity to earn up to a specified number of shares of the Company's common stock, if the Company achieves specified performance goals during the designated performance period. Any portion of the award not earned during the performance period is forfeited by the officer at the end of such period. Compensation expense is measured based on market price of the Company's common stock and is recognized over the performance period, which is generally three years. At December 31, 1998, the Company had 101,036 units outstanding. During 1998, 1997 and 1996, respectively, 46,600, 37,100 and 38,200 performance shares were granted.

Phantom Performance Units

Under the Plans, certain officers are awarded phantom performance units. Each unit provides the holder the opportunity to earn a cash award equal to the fair market value of the Company's common stock upon the attainment of certain performance goals. Any portion of the award not earned during the performance period is forfeited by the officer at the end of such period. Compensation expense is measured based on market price of the Company's common stock and is recognized over the performance period, which is generally three years. At December 31, 1998, the Company had 153,897 phantom performance units outstanding. During 1998, 1997 and 1996, respectively, 65,750, 77,850 and 79,600 units were awarded.

Performance Stock Awards

Under the Plans, certain employees are awarded unrestricted stock based upon achievement of certain goals within a designated performance period. Compensation cost for these awards is accrued over the performance period based upon a base compensation level and the performance level achieved. Stock awards are issued in the year subsequent to the performance period. The number of shares issued is based upon the market price of the stock on date of issuance and the level of compensation earned. In 1998 and 1997, respectively, 74,854 and 122,362 shares were issued to employees.

The Company also has a plan to award stock and stock options to nonemployee directors. The receipt of the stock awards may be deferred at the discretion of the directors. Approximately 345,500 shares were available under this plan at December 31, 1998. As of December 31, 1998, 18,500 deferred awards were outstanding. In 1998, no options and 5,500 stock awards were granted, 500 of which were issued. In 1997, 10,000 options and 5,500 stock awards were granted, of which 3,500 were issued. In 1996, 30,000 options and 4,000 stock awards were granted of which 1,000 were issued. The weighted-average grant-date fair value for shares granted was $40.72, $39.13 and $39.63 for 1998, 1997 and 1996, respectively.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Stock Compensation Plans (Continued)

Under a prior plan, the Company had 5,417 deferred stock awards outstanding at December 31, 1996. No awards were outstanding under this plan at December 31, 1998 or 1997. Under the terms of this plan, no further awards may be made.

The Company applies Financial Accounting Standards Board

Statement No. 123 (SFAS 123) for disclosures of its stock based compensation plans. The Company applies Accounting Principles Board Opinion No. 25 and related Interpretations for expense recognition as permitted by SFAS 123. All stock options issued by the Company are exercisable at a price equal to the market price at the date of grant. Accordingly, no compensation cost has been recognized for any of the options granted under the Plans. The compensation cost that has been recorded for awards other than options was $21 million, $12 million and $17 million in 1998, 1997 and 1996, respectively.

A summary of the status of the Company's plans that issue options as of December 31, 1998, 1997, and 1996 and changes during the years ending on those dates is presented below:

	1998		1997		1996	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Beginning of year	5,126,158	$ 38.15	4,894,439	$ 35.59	3,943,110	$ 33.34
Options granted	1,747,472	$ 32.17	1,113,027	$ 44.80	1,132,510	$ 42.92
Options exercised	(495,797)	$ 32.74	(724,661)	$ 30.29	(142,232)	$ 30.60
Options canceled	(281,865)	$ 41.62	(156,647)	$ 41.63	(38,949)	$ 41.01
End of year	6,095,968	$ 36.72	5,126,158	$ 38.15	4,894,439	$ 35.59
Exercisable	3,568,291	$ 36.60	3,047,126	$ 34.78	2,872,156	$ 32.66
Weighted-average fair-value of options granted during the year		$ 10.96		$ 14.29		$ 12.50

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Stock Compensation Plans (Continued)

The following table summarizes information about options outstanding at December 31, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/98	Weighted-Average Remaining Contractual Life	Exercise Price	Number Exercisable at 12/31/98	Weighted Average Exercise Price
$17.860 - 26.750	617,395	5.62	$ 25.98	326,329	$ 23.79
$26.875 - 31.562	1,072,149	6.82	$ 29.07	443,149	$ 29.99
$32.125 - 37.500	1,296,632	5.60	$ 35.17	1,274,299	$ 35.15
$37.562 - 41.875	1,662,443	6.95	$ 39.90	904,788	$ 40.99
$42.125 - 47.000	1,447,349	7.24	$ 44.70	619,726	$ 44.63

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions by year:

Assumptions	1998	1997	1996
Risk-free interest rate	5.46%	6.31%	6.04%
Expected life (in years)	5	5	5
Expected volatility	29.89%	24.64%	24.39%
Expected dividends	.69%	.82%	1.43%

Had compensation cost for the Plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method described in SFAS 123, the Company's net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated below:

		1998	1997	1996
		(In millions of dollars, except share data)		
Net income (loss)	As reported	$ (705)	$ 47	$ (284)

	Pro forma	$ (714)	$ 40	$ (288)
Basic net income (loss) per share	As reported	$(13.16)	$.89	$(5.54)
	Pro forma	$(13.33)	$.76	$(5.61)
Diluted net income (loss) per share	As reported	$(13.16)	$.88	$(5.54)
	Pro forma	$(13.33)	$.75	$(5.61)

The Company cautions that the pro forma results in 1996 and 1997, the initial years following adoption of this disclosure, do not reflect the full impact of pro forma compensation expense. Options vest ratably over a three year period; therefore, 1998 is the first year in which the full impact is reflected.

The following table reconciles the net income (loss) and weighted average number of shares used in the basic earnings per share calculation to the net income (loss) and weighted average number of shares used to compute diluted earnings per share.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Stock Compensation Plans (Continued)

	1998	1997	1996
	(In millions of dollars, except share data)		
Net income (loss) used for basic earnings per share	$ (705)	$ 47	$ (284)
Net income (loss) effect of assumed conversion of preferred securities	-	-	-
Net income (loss) used for diluted earnings per share	$ (705)	$ 47	$ (284)
Weighted average number of shares outstanding used for basic earnings per share (thousands)	53,579	52,860	51,349
Deferred awards and stock options	-	686	-
Shares from assumed conversion of preferred securities	-	-	-
Weighted average number of shares outstanding and common equivalent shares used for diluted earnings per share (thousands)	53,579	53,546	51,349

Diluted shares outstanding for all periods presented above exclude approximately 4.6 million common shares from the potential conversion of certain preferred securities of a subsidiary (Note 7) due to their anti-dilutive effect. Except for the year ended December 31, 1997, diluted shares also exclude approximately 700 thousand shares, primarily from the potential exercise of stock options, due to their anti-dilutive effect.

20. Share Purchase Rights

Each outstanding share of the Company's common stock includes a preferred share purchase right. Each right entitles the holder to buy from the Company one one-hundredth of a share of Series A Participating Preferred Stock of the Company at a price of $190. The Board of Directors has designated 750,000 shares of the Company's authorized preferred stock as Series A Participating Preferred Stock. There were no preferred shares outstanding at December 31, 1998.

Rights become exercisable and detach from the common stock ten business days after a person or group acquires, or announces a tender offer for, 15% or more of the Company's outstanding shares of common stock. The rights expire on December 30, 2006, unless redeemed earlier by the Company. The rights are redeemable by the Company at one cent each at any time prior to public announcement or notice to the Company that an acquiring person or group has purchased 15% or more of the Company's outstanding common stock (an "Acquisition Event"). At any time after an Acquisition Event and prior to the acquisition by such person or group of 50% or more of the Company's outstanding common stock, the Board of Directors may exchange one share of common stock for each right outstanding, other than rights held by the acquiring person or group. At any time after an

Acquisition Event and the rights become exercisable, each right, other than rights held by the acquiring person or group, would entitle its holder to buy common stock of the Company having a market value of twice the exercise price of the right (or, if the Company is subsequently acquired in a merger or other business combination, such shares of the acquiring or surviving company). Until the rights detach from the common stock (or the earlier termination or redemption of the rights), an additional right will be issued with every share of newly issued common stock.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. Derivative Financial Instruments and Fair Value of Financial Instruments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to help meet financing needs and to reduce exposure to fluctuating foreign currency exchange rates and interest rates. The Company is exposed to credit loss in the event of nonperformance by the other parties to the financial instruments described below. However, the Company does not anticipate nonperformance by the other parties. The Company does not engage in trading activities with these financial instruments and does not generally require collateral or other security to support these financial instruments. The notional amounts of derivatives summarized in the foreign exchange risk and interest rate risk management section below do not generally represent the amounts exchanged by the parties and, thus, are not a measure of the exposure of the Company through its use of derivatives. The amounts exchanged were calculated on the basis of the notional amounts and the other terms of the derivatives, which relate to interest rates, exchange rates, securities prices, or financial or other indexes.

Foreign Exchange Risk and Interest Rate Risk Management

The Company enters into various types of derivative financial instruments to manage its foreign exchange risk and interest rate risk, as indicated in the following table.

	Notional Amount December 31, 1998	Notional Amount December 31, 1997
	(In millions of dollars)	
Forward currency exchange contracts	$303	$ 154
Combined interest rate currency swaps	190	190
Options purchased	10	35
Currency swaps	215	215
Interest rate swaps	33	550

The Company enters into forward currency exchange contracts to manage its exposure against foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. As of December 31, 1998, the Company has 28 forward currency exchange contracts maturing in 1999 which exchange 4.2 billion Belgian francs, 57 million U.S. dollars, 43 million Dutch guilders, 6 million British pounds, 95 million Norwegian krone, and various other currencies. As of December 31, 1997, the Company had 32 forward currency exchange contracts which matured in 1998 and exchanged 1.4 billion Belgian francs, 36 million U.S. dollars, 11 million British pounds, 105 million French francs, 198 million Norwegian krone, and various other currencies. Gains and losses on these foreign currency hedges are included in the carrying amount of the related assets and liabilities.

During 1998, the Company entered into forward currency exchange contracts to reduce its exposure to currency fluctuations on the anticipated 1999 net sales of certain Japanese subsidiaries. The four forward currency exchange contracts, which mature in 1999, exchange approximately 1.356 billion Japanese yen against approximately 10 million U.S. dollars. At December 31, 1998, the deferred losses on these forward currency exchange contracts were approximately $2 million.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. Derivative Financial Instruments and Fair Value of Financial Instruments (Continued)

During 1998, the Company also entered into a foreign currency exchange contract to reduce its exposure to certain U.S. dollar - denominated debt instruments in China. The contract, which matures in 1999, exchanges approximately 158 million Chinese renminbi against approximately 19 million U.S. dollars.

During 1997, the Company entered into forward currency exchange contracts to reduce its exposure to currency fluctuations on the anticipated 1998 net sales of certain Canadian subsidiaries. The seven forward currency exchange contracts, which matured in 1998, exchanged 10 million Canadian dollars against 7 million U.S. dollars. At December 31, 1997, the deferred losses on these forward currency exchange contracts were not material to the consolidated financial statements.

The Company enters into combined interest rate currency swaps to hedge its equity investments in certain foreign subsidiaries to manage its exposure against fluctuations in foreign currency rates. As of December 31, 1998 and 1997, the Company had three combined interest rate currency swaps maturing in 1999 to manage this exposure. These contracts exchange 921 million Belgian francs, 50 million French francs, 17 million Dutch guilders and 50 million U.S. dollars. Gains and losses on the currency swap portions of these contracts are included in stockholders' equity. The differential interest to be paid or received on the interest rate swap portion of these contracts is accrued as interest rates change and is recognized over the life of these agreements. At December 31, 1998 and 1997, deferred gains of \$6 million and \$10 million, respectively, are included as a component of stockholders' equity.

In 1994, the Company entered into two currency swap transactions to manage its exposure against foreign currency fluctuations on the principal amount of its guaranteed 9.814% Eurobonds (Note 2). During 1995, the Company terminated these swaps. The termination of these swaps exchanged 140 million U.S. dollars for approximately 89 million British pounds, resulting in a gain of approximately 10 million U.S. dollars. At that time, the Company entered into a combined interest rate currency swap and a currency swap exchanging U.S. dollars into British pounds to hedge the interest and principal payments of the Eurobonds. These agreements also convert part of the fixed rate interest into variable rate interest. The gain on the exercised swaps is being amortized over the life of the original hedge. At December 31, 1998 and 1997, \$2 million and \$3 million, respectively, of unamortized gain on the four cross-currency interest rate swaps is included in other liabilities.

The Company has a cross-currency swap converting from Deutsche marks into U.S. dollars to hedge the interest and principal payments of its 7.25% Deutsche mark bonds, due in 2000. The agreement establishes a fixed interest rate of 11.1%.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21.Derivative Financial Instruments and Fair Value of Financial Instruments (Continued)

During 1997, the Company entered into interest rate swaps to manage its interest rate risk. As of December 31, 1997, the Company had seven ordinary interest rate swaps that effectively converted an aggregate principal amount of \$350 million of variable rate long-term debt into fixed rate borrowings. These swaps were terminated during 1998, resulting in the deferral of a loss of approximately \$8 million which is being amortized through 2002. For each of the years ended December 31, 1998 and 1997, losses of approximately $1 million related to these swaps have been recorded as a component of cost of borrowed funds.

During 1997, the Company entered into three interest rate swaps as a hedge against interest rate fluctuation on an anticipated refinancing of the Trust Preferred Hybrid Securities (See Note 8). These swaps were intended to lock in an interest rate of 6.3% on a notional amount of $150 million. During 1998, the Company terminated these swaps and incurred an $8 million loss on the transaction. This loss was recorded as other operating expenses on the Company's consolidated statement of income for the year ended December 31, 1998.

As of December 31, 1998, the Company has an interest rate swap to convert $33 million in equipment lease payments from a floating LIBOR to a fixed rate of 5.52%. As of December 31, 1997, the Company had an interest rate swap to convert $50 million in equipment lease payments from a floating LIBOR to a fixed rate of 5.52%. The differential interest to be paid or received is accrued as interest rates change and is recognized over the life of the agreement. As of December 31, 1998 and 1997, this amount was not material to the consolidated financial statements.

Other Financial Instruments with Off-Balance-Sheet Risk

As of December 31, 1998 and 1997, the Company is contingently liable for guarantees of indebtedness owed by certain unconsolidated affiliates of $116 million and $84 million, respectively. The Company is of the opinion that its unconsolidated affiliates will be able to perform under their respective payment obligations in connection with such guaranteed indebtedness and that no payments will be required and no losses will be incurred by the Company under such guarantees.

Concentrations of Credit Risk

As of December 31, 1998 and 1997, the Company has no significant group concentrations of credit risk.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each category of financial instruments.

Cash and short-term financial instruments

The carrying amount approximates fair value due to the short maturity of these instruments.

Long-term notes receivable

The fair value has been estimated using the expected future cash flows discounted at market interest rates.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21.Derivative Financial Instruments and Fair Value of Financial Instruments (Continued)

Long-term debt

The fair value of the Company's long-term debt has been estimated based on quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities.

Foreign currency swaps and interest rate swaps

The fair values of foreign currency swaps and interest rate swaps have been estimated by traded market values or by obtaining quotes from brokers.

Forward currency exchange contracts, option contracts, and financial guarantees

The fair values of forward currency exchange contracts, option contracts, and financial guarantees are based on fees currently charged for similar agreements or on the estimated cost to terminate these agreements or otherwise settle the obligations with the counter parties at the reporting date.

The estimated fair values of the Company's financial instruments as of December 31, 1998 and 1997, which have fair values different than their carrying amounts, are as follows:

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions of dollars)			
Assets:				
Long-term notes receivable	$ 20	$ 17	$ 18	$ 17
Liabilities:				
Long-term debt	1,535	1,561	1,595	1,659
Off-Balance-Sheet Financial Instruments - Unrealized gains (losses)				
Foreign currency swaps	-	32	-	21
Interest rate swaps	-	-	-	(9)
Combined interest rate currency swaps	-	13	-	13
Options	-	-	-	2
Forward currency exchange contracts	-	(1)	-	-

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

As of December 31, 1998 and 1997, the Company is contingently liable for guarantees of indebtedness owed by certain unconsolidated affiliates. There is no market for these guarantees and they were issued without explicit cost. Therefore, it is not practicable to establish their fair value.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS 133 is effective for fiscal years beginning after June 15, 1999, but earlier adoption is allowed. The Company has not yet quantified the impact of adopting SFAS 133 and has not determined the timing of or the method of adoption. The Company is aware, however, that the adoption of SFAS 133 could increase volatility in earnings and other comprehensive income.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

22. Contingent Liabilities

ASBESTOS LIABILITIES

ITEM A. OWENS CORNING (EXCLUDING FIBREBOARD)

Owens Corning is a co-defendant with other former manufacturers, distributors and installers of products containing asbestos and with miners and suppliers of asbestos fibers in personal injury litigation. The personal injury claimants generally allege injuries to their health caused by inhalation of asbestos fibers from Owens Corning's products. Most of the claimants seek punitive damages as well as compensatory damages. Virtually all of the asbestos-related lawsuits against Owens Corning arise out of its manufacture, distribution, sale or installation of an asbestos-containing calcium silicate, high temperature insulation product, the manufacture of which was discontinued in 1972.

National Settlement Program

As of September 30, 1998, approximately 196,300 asbestos personal injury claims were pending against Owens Corning. On December 15, 1998, Owens Corning announced a National Settlement Program (NSP) under which more than 176,000 asbestos claims against the Company and more than 100,000 claims against Fibreboard will be resolved. The program also establishes procedures and fixed payments for resolving future claims brought by participating plaintiffs' law firms without litigation for at least 10 years. Average payments per claim under the NSP are expected to be substantially lower than those experienced by Owens Corning in recent years.

The Company established the NSP in response to the rising cost in recent years of mesothelioma settlements and judgments, as well as significant changes in the legal environment, such as the Supreme Court's 1997 decision in Georgine v. Amchem Products, Inc., striking down an asbestos class action settlement. The NSP is designed to better manage Owens Corning's asbestos liability, and that of Fibreboard, and to better predict the timing and amount of indemnity payments for both pending and future claims.

Under the NSP, each participating law firm has agreed to a long-term settlement agreement ("NSP Agreement") providing for the resolution of claims pending against both Owens Corning and Fibreboard for a settlement amount negotiated with each participating firm. Settlement amounts vary based on a number of factors, including the type and severity of disease. Settlement payments aggregating approximately $1.2 billion for cases pending against Owens Corning will be made over a period of up to five years, with most payments occurring in 1999 and 2000. Such payments will be made from the Company's available cash and credit resources. All payments will be subject to satisfactory evidence of a qualifying medical condition, delivery of customary releases by each claimant and other conditions. The NSP Agreements allow claimants to receive prompt payment without incurring the significant delays and uncertainties of litigation. Claimants settling non-malignancy claims may also be entitled to seek additional compensation if they develop a more severe asbestos-related medical condition in the future.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. CONTINGENT LIABILITIES (Continued)

Under each NSP Agreement, the participating firm also agrees (consistent with applicable legal requirements) to resolve any future asbestos personal injury claims against Owens Corning or Fibreboard through an administrative processing arrangement, rather than litigation. Under such arrangement, no settlement payment will be made for future

In October 1998 the Circuit Court for Jefferson County, Mississippi granted leave to file an amended complaint in an existing action to add claims by Owens Corning against seven leading tobacco companies and several other tobacco industry defendants. The court has set a February 2000 trial date for this action. In addition to the Mississippi lawsuit, a lawsuit brought in December 1997 by Owens Corning and Fibreboard is pending in the Superior Court for Alameda County, California against the same major tobacco companies. In both cases, Owens Corning and Fibreboard seek monetary recovery for, among other things, a portion of the payments made to persons who brought asbestos claims and were also smokers.

PFT Litigation

As previously reported, in 1996 Owens Corning filed suit in federal court in New Orleans, Louisiana against the owners and operators of certain pulmonary function testing laboratories in the southeastern United States alleging that many pulmonary function tests ("PFTs") used in mass screening programs were improperly administered and manipulated by the testing laboratory or otherwise inconsistent with proper medical practice. This matter is now in active pre-trial discovery and a 1999 trial date is expected. In January 1997, Owens Corning filed a similar suit in federal court in Jackson, Mississippi against the owner of an additional testing laboratory. This suit is in the discovery phase. The Company believes that these lawsuits have been helpful in raising the standards for medical screening of asbestos claims and in developing the medical criteria for settlement values included in the NSP Agreements.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. CONTINGENT LIABILITIES (Continued)

Insurance

As of December 31, 1998, Owens Corning had approximately $185 million in unexhausted insurance coverage (net of deductibles and self-insured retentions and excluding coverage issued by insolvent carriers) under its liability insurance policies applicable to asbestos personal injury claims. This insurance, which is substantially confirmed, includes both products hazard coverage and primary level non-products coverage. Portions of this coverage are not available until 2000 and beyond under agreements with the carriers confirming such coverage. All of Owens Corning's liability insurance policies cover indemnity payments and defense fees and expenses subject to policy limits.

In addition to its confirmed primary level non-products insurance, Owens Corning has a significant amount of unconfirmed potential non-products coverage with excess level carriers. For purposes of calculating the amount of insurance applicable to asbestos liabilities, Owens Corning has estimated its probable recoveries in respect of this additional non-products coverage at $225 million, which amount was recorded in 1996. This coverage is unconfirmed and the amount and timing of recoveries from these excess level policies will depend on subsequent negotiations or proceedings.

Reserve

The Company's financial statements include a reserve for the estimated cost associated with Owens Corning's asbestos personal injury claims. This reserve was established initially through a charge to income in 1991, with an additional $1.1 billion charge to income (before taking into account probable non-products insurance recoveries) recorded in 1996. The combined effect of the $1.1 billion charge and the $225 million probable additional non-products insurance recovery was an $875 million charge in the second quarter of 1996. Reflecting the substantial new information about pending and future claims gained in the NSP negotiations with plaintiffs' law firms and the recent changes in the legal environment referred to above, the Company in the fourth quarter of 1998 increased its asbestos reserves by $1.4 billion, resulting in an after-tax charge to 1998 earnings of $906 million. Subject to the uncertainties referred to below, Owens Corning currently estimates that its liabilities in respect of indemnity and defense costs associated with pending and unasserted asbestos personal injury claims, and its insurance recoveries in respect of such claims, are as follows:

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. CONTINGENT LIABILITIES (Continued)

ITEM A. OWENS CORNING (EXCLUDING FIBREBOARD)

	December 31, 1998	December 31, 1997
	(In millions of dollars)	
Reserve for asbestos litigation claims		
Current	$ 850	$ 350
Other	1,780	1,320
Total Reserve	$2,630	$1,670
Insurance for asbestos litigation claims		
Current	$ 150	$ 100
Other	260	357
Total Insurance	$ 410	$ 457
Net Owens Corning Asbestos Liability	$2,220	$1,213

Owens Corning believes that the NSP will improve its ability to estimate the timing and amount of indemnity payments and defense costs for both pending and future asbestos personal injury claims. Nevertheless, the Company cautions that its estimate of its liabilities for such claims is influenced by numerous variables that are difficult to predict and that such estimate therefore remains subject to uncertainty. Such variables include the number of claims filed in the future and the severity of disease involved in such claims; whether or not such claims are covered by an NSP Agreement; the extent, if any, to which an individual plaintiff exercises its right to opt out of an NSP Agreement and/or utilize other counsel that is not a participant in the NSP; the extent if any to which Owens Corning exercises its right to terminate one or more of the NSP Agreements due to excessive opt-outs; and Owens Corning's success in controlling the costs of resolving claims outside the NSP.

Management Opinion

Although any opinion is necessarily judgmental and must be based on information now known to Owens Corning, in the opinion of management, while any additional uninsured and unreserved costs which may arise out of pending personal injury asbestos claims and additional similar asbestos claims filed in the future may be substantial over time, management believes that such additional costs will not impair the ability of the Company to meet its obligations, to reinvest in its businesses, or to pursue its growth agenda.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. CONTINGENT LIABILITIES (Continued)

ITEM B. FIBREBOARD (EXCLUDING OWENS CORNING)

Prior to 1972, Fibreboard manufactured insulation products containing asbestos. Fibreboard has since been named as a defendant in many thousands of personal injury claims for injuries allegedly caused by asbestos exposure.

Status

As of September 30, 1998, approximately 128,000 asbestos personal injury claims were pending against Fibreboard. These claims and most of the pending claims are made against the Fibreboard Global Settlement Trust and are subject to the Global Settlement injunction discussed below.

Fibreboard is a participant in the NSP and is a party to most of the NSP Agreements discussed in Item A. As discussed above, if the Global Settlement is overturned by the U.S. Supreme Court and the Insurance Settlement therefore becomes effective, Fibreboard anticipates that in excess of 100,000 asbestos personal injury claims pending against it will be resolved under the NSP. Settlement payments for such claims will be made over a period of five years, with most payments occurring in 1999 and 2000. Such payments will be made from the approximately $2.0 billion in funds available under the Insurance Settlement. Fibreboard expects that average per-claim settlement payments for both pending and future claims will be substantially lower than those experienced by Fibreboard during the 1996-1998 period.

Global Settlement

During 1993, Fibreboard, its insurers and representatives of a class of future asbestos plaintiffs who have claims arising from asbestos prior to August 27, 1993, entered into the Global Settlement. Under the Global Settlement, Fibreboard would be protected by an injunction from asbestos personal injury claims, and should have no further asbestos personal injury liabilities. On July 26, 1996, the U.S. Fifth Circuit Court of Appeals affirmed the Global Settlement by a majority decision.

The parties opposing the Global Settlement filed petitions seeking review with the U.S. Supreme Court. On June 27, 1997, the Supreme Court granted the petition, vacated the judgment and remanded the case to the Fifth Circuit for further consideration in light of the Supreme Court's decision in the Amchem Products, Inc. v. Windsor case. Amchem involved a proposed nationwide class action settlement of future asbestos personal injury claims against the members of the Center for Claims Resolution. The Supreme Court, affirming the intermediate appellate court, disapproved and vacated the Amchem class action settlement, determining that the Amchem class action failed to meet the class action certification requirements of Federal Rule of Civil Procedure 23. On January 27, 1998, a panel of the Fifth Circuit reaffirmed, by majority vote, its prior decision, and again approved the Global Settlement. In June, the United States Supreme Court granted certiorari, agreeing to review the decision by the Fifth Circuit. The Supreme Court heard oral argument on the case in December 1998, and a decision is expected in the second quarter of 1999.

If the Global Settlement becomes effective, all asbestos-related personal injury liabilities of Fibreboard will be resolved through insurance funds and existing corporate reserves and a permanent injunction would bar the filing of any further claims against Fibreboard or its insurers by class members. Upon final approval, Fibreboard's insurers are required to pay existing settlements and assume full responsibility for any claims filed before August 27, 1993, the date the settling parties reached agreement on the terms of the Global Settlement. A court-supervised claims processing trust ("Settlement Trust") will be responsible for resolving claims which were not filed against Fibreboard before August 27, 1993, and any further claims that might otherwise be asserted against Fibreboard in the future by members of the class.

The Settlement Trust will be funded principally by Fibreboard's insurers, Continental Casualty Company ("Continental") and Pacific Indemnity Company ("Pacific"). These insurers placed $1.525 billion in an interest-bearing escrow account pending court approval of the settlements. Fibreboard is responsible for contributing $10 million plus accrued interest toward the Settlement Trust, which it will obtain from other remaining insurance sources and existing reserves. The Home Insurance Company has already paid $9.9 million into the escrow account on behalf of Fibreboard, in satisfaction of an earlier settlement agreement. The balance of the escrow account was $1.7 billion at December 31, 1998 after payment of interim expenses and exigent claims associated with the Global Settlement.

Insurance Settlement

In 1993, Fibreboard, Continental and Pacific entered into the Insurance Settlement, which was structured as an alternative solution in the event the Global Settlement fails to receive final approval. Under the Insurance Settlement, Continental and Pacific will pay in full settlements reached as of August 27, 1993. In addition they will provide Fibreboard with the remaining balance of the Global Settlement escrow account for claims filed after August 27, 1993, plus an additional $475 million subject to certain adjustments. Upon fulfillment of their obligations under the Insurance Settlement, Continental and Pacific will be discharged from any further obligations to Fibreboard under their insurance policies and will be protected by an injunction against any claims of asbestos personal injury claimants based upon those insurance policies. Under the Insurance Settlement, Fibreboard will manage the defense and resolution of asbestos-related personal injury claims and

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

22. CONTINGENT LIABILITIES (Continued)

ITEM B. FIBREBOARD (EXCLUDING OWENS CORNING) (Continued)

will remain subject to suit by asbestos personal injury claimants. On October 24, 1996, the statutory time period for objectors to seek further judicial review of the Insurance Settlement lapsed with no petition for review having been filed with the U.S. Supreme Court. Therefore, the Insurance Settlement is now final and not subject to further appeal.

The Insurance Settlement will not be fully funded until such time as the Global Settlement has been finally resolved. In the event the Global Settlement is finally approved, the Insurance Settlement will not be funded.

Management Opinion

While there are various uncertainties regarding whether the Global Settlement or the Insurance Settlement will be in effect, and these may ultimately impact Fibreboard's liability for asbestos personal injury claims, the Company believes the amounts available under the Insurance Settlement will be adequate to fund the ongoing defense and indemnity costs associated with asbestos-related personal injury claims for the foreseeable future.

OTHER LIABILITIES

Various other lawsuits and claims arising in the normal course of business are pending against the Company, some of which allege substantial damages. Management believes that the outcome of these lawsuits and claims will not have a materially adverse effect on the Company's financial position or results of operations.

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

23.Quarterly Financial Information (Unaudited)

	Quarter First	Second	Third	Fourth
	(In millions of dollars, except share data)			
1998				
Net sales	$1,137	$1,286	$1,324	$1,262
Cost of sales	938	985	1,060	961
Gross margin	$ 199	$ 301	$ 264	$ 301
Income (loss) before extraordinary item	8	59	135	(868)
Extraordinary loss (Note 2)	-	-	(39)	-
Net income (loss)	$ 8	$ 59	$ 96	$(868)
Net income (loss) per share:				
Basic net income (loss) per share:				
Income (loss) before extraordinary item	.16	1.09	2.51	(16.16)
Extraordinary loss (Note 2)	-	-	(.72)	-
Net income (loss) per share	$ .16	$ 1.09	$ 1.79	$(16.16)
Diluted net income (loss) per share				
Income (loss) before extraordinary item	$ .16	$ 1.02	$ 2.32	$(16.16)
Extraordinary loss (Note 2)	-	-	(.66)	-
Net income (loss) per share	$ .16	$ 1.02	$ 1.66	$(16.16)

OWENS CORNING AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

23.Quarterly Financial Information (Unaudited) (Continued)

	Quarter First	Second	Third	Fourth
	(In millions of dollars, except share data)			
1997				
Net sales	$ 875	$ 1,017	$ 1,238	$ 1,243
Cost of sales	652	778	971	1,081
Gross margin	$ 223	$ 239	$ 267	$ 162
Income (loss) before cumulative effect of accounting change	42	63	59	(102)
Cumulative effect of accounting change (Note 6)	-	-	-	(15)
Net income (loss)	$ 42	$ 63	$ 59	$ (117)
Net income (loss) per share:				
Basic net income (loss) per share				
Income (loss) before cumulative effect of accounting change	$ .80	$ 1.19	$ 1.11	$(1.91)

(C) Cash payments.

(D) Includes non-current liabilities of $14 million.

EXHIBIT INDEX

Exhibit Number	Document Description
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.
	Agreement and Plan of Merger, dated as of May 27, 1997, among Owens Corning, Sierra Corp. and Fibreboard Corporation (incorporated herein by reference to Exhibit 2(a) to the Company's current report on Form 8-K (File No. 1-3660), filed May 28, 1997).
	LLC Interest Sale and Purchase Agreement, dated as of July 31, 1998, among Owens Corning, Advanced Glassfiber Yarns LLC and Glass Holdings Corp. (incorporated herein by reference to Exhibit 2 to the Company's current report on Form 8-K (File No. 1-3660), filed October 14, 1998).
	Amendment No. 1 to LLC Interest Sale and Purchase Agreement dated as of September 30, 1998 (incorporated herein by reference to Exhibit 2 to the Company's current report on Form 8-K (File No. 1-3660), filed October 14, 1998).
(3)	Articles of Incorporation and By-Laws.
	(i) Certificate of Incorporation of Owens Corning, as amended (incorporated herein by reference to Exhibit (3) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended March 31, 1997).
	(ii) By-Laws of Owens Corning, as amended (incorporated herein by reference to Exhibit (3) to the Company's annual report on Form 10-K (File No. 1-3660) for 1995).
(4)	Instruments Defining the Rights of Security Holders, Including Indentures.
	Indenture, dated as of May 5, 1997, between Owens Corning and The Bank of New York, as Trustee (incorporated herein by reference to Exhibit 4.5.1 to the Company's current report on Form 8-K (File No. 1-3660), filed May 14, 1997).
	Credit Agreement, dated as of June 26, 1997, among Owens Corning, other Borrowers and Guarantors, the Banks listed on Annex A thereto, and Credit Suisse First Boston, as Agent (incorporated herein by reference to Exhibit (4) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended June 30, 1997), as amended by Amendment No. 1 thereto (incorporated herein by reference to Exhibit (4) to the Company's annual report on Form 10-K (File No. 1-3660) for the year ended December 31, 1997) and Amendment No. 2 thereto (filed herewith).
	The Company agrees to furnish to the Securities and Exchange Commission, upon request, copies of all instruments defining the rights of holders of long-term debt of the Company where the total amount of securities authorized under each issue does not exceed ten percent of the Company's total assets.

EXHIBIT INDEX

Exhibit
Number Document Description

(10) Material Contracts.

Agreement and Plan of Merger, dated as of May 27, 1997, among Owens Corning, Sierra Corp. and Fibreboard Corporation (incorporated herein by reference to Exhibit 2(a) to the Company's current report on Form 8-K (File No. 1-3660), filed May 28, 1997).

LLC Interest Sale and Purchase Agreement, dated as of July 31, 1998, among Owens Corning, Advanced Glassfiber Yarns LLC and Glass Holdings Corp. (incorporated herein by reference to Exhibit 2 to the Company's current report on Form 8-K (File No. 1-3660), filed October 14, 1998).

Amendment No. 1 to LLC Interest Sale and Purchase Agreement dated as of September 30, 1998 (incorporated herein by reference to Exhibit 2 to the Company's current report on Form 8-K (File No. 1-3660), filed October 14, 1998).

Credit Agreement, dated as of June 26, 1997, among Owens Corning, other Borrowers and Guarantors, the Banks listed on Annex A thereto, and Credit Suisse First Boston, as Agent (incorporated herein by reference to Exhibit (4) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended June 30, 1997), as amended by Amendment No. 1 thereto (incorporated herein by reference to Exhibit (4) to the Company's annual report on Form 10-K (File No. 1-3660) for the year ended December 31, 1997) and Amendment No. 2 thereto (filed as Exhibit (4) to this annual report on Form 10-K and incorporated here by reference).

Rights Agreement, dated as of December 12, 1996 (incorporated herein by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A (File No. 1-3660), dated December 19, 1996).

* Stock Performance Incentive Plan, as amended (filed herewith).

* Key Management Severance Agreement with Maura J. Abeln (filed herewith).

* Key Management Severance Agreement with Domenico Cecere (filed herewith).

* Key Management Severance Agreement with J. Thurston Roach (filed herewith).

* Letter to Maura J. Abeln (filed herewith).

* Letter to J. Thurston Roach (filed herewith).

* Release and Separation Agreement with Charles H. Dana (filed herewith).

EXHIBIT INDEX

* Owens Corning Supplemental Executive Retirement Plan, effective as of January 1, 1998 (incorporated herein by reference to Exhibit (10) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended June 30, 1998).

The following documents are incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1997:

* - Renewal Agreement, effective as of July 31, 1999, with Glen H. Hiner.

* - Agreement with Domenico Cecere.

* 1987 Stock Plan for Directors, as amended (incorporated herein by reference to Exhibit (10) to the Company's quarterly report on Form

10-Q
(File No. 1-3660) for the quarter ended June 30, 1997).

The following documents are incorporated herein by reference to Exhibit (10) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended June 30, 1996:

* - Long-Term Performance Incentive Plan Terms Applicable to Certain Executive Officers.

* - Long-Term Performance Incentive Plan Terms Applicable to Officers Other Than Certain Executive Officers.

* Corporate Incentive Plan Terms Applicable to Certain Executive Officers (incorporated herein by reference to Exhibit (10) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended March 31, 1996).

* Corporate Incentive Plan Terms Applicable to Key Employees other than Certain Executive Officers (incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1995).

* Agreement, dated as of January 1, 1995, with William W. Colville (incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1994) and amendment dated September 29, 1997 (incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1997).

* Director's Charitable Award Program (incorporated herein by reference to Exhibit (10) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended September 30, 1993).

* Executive Supplemental Benefit Plan, as amended (incorporated herein by reference to Exhibit (10) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended March 31, 1993).

* Employment Agreement, dated as of December 15, 1991, with Glen H. Hiner (incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1991), as amended by First Amending Agreement made as of April 1, 1992 (incorporated herein by reference to Exhibit (19) to the Company's quarterly report on Form 10-Q (File No. 1-3660) for the quarter ended June 30, 1992).

* Form of Key Management Severance Benefits Agreement (incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1991).

EXHIBIT INDEX

* Form of Directors' Indemnification Agreement (incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1989).

The following documents are incorporated herein by reference to Exhibit (10) to the Company's annual report on Form 10-K (File No. 1-3660) for 1987:

* - Officers Deferred Compensation Plan.

* - Deferred Compensation Plan for Directors, as amended.

(11) Statement re Computation of Per Share Earnings (filed herewith).

(21) Subsidiaries of Owens Corning (filed herewith).

(23) Consent of Arthur Andersen LLP (filed herewith).

(27) Financial Data Schedule (filed herewith).

* Denotes management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

Exhibit (11)

OWENS CORNING AND SUBSIDIARIES

COMPUTATION OF PER SHARE EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

Basic:	1998	1997	1996
	(In millions of dollars, except share data)		
Net income (loss)	$ (705)	$ 47	$ (284)
Basic weighted average number of common shares outstanding (thousands)	53,579	52,860	51,349
Basic per share amount	$ (13.16)	$ .89	$ (5.54)
Diluted:			
Net income (loss)	$ (705)	$ 47	$ (284)
Weighted average number of shares outstanding (thousands)	53,579	52,860	51,349
Weighted average common equivalent shares (thousands):			
Deferred awards	-	352	-
Stock options using the average market price during the period	-	334	-
Shares from assumed conversion of preferred securities	-	-	-
Diluted weighted average number of common shares outstanding and common equivalent shares (thousands)	53,579	53,546	51,349
Diluted per share amount	$ (13.16)	$ .88	$ (5.54)

Exhibit (21)

Subsidiaries of Owens Corning (12/31/98)	State or Other Jurisdiction Under the Laws of Which Organized
AmeriMark Building Products, Inc.	Delaware
Commercial Owens Corning Chile Limitada	Chile
Crown Manufacturing Inc.	Canada
Cultured Stone Corporation	California
Decillion, LLC.	Delaware
Deutsche Owens-Corning Glasswool GmbH	Germany
Engineered Pipe Systems, Inc.	Delaware
Engineered Yarns America, Inc.	Massachusetts
Eric Company	Delaware
European Owens-Corning Fiberglas, S.A.	Belgium
Fabwel, Inc.	Indiana
Falcon Foam Corporation	Delaware
Fibreboard Corporation	Delaware
Flowtite (Africa) (Private) Limited	Zimbabwe
Flowtite AS	Norway
Flowtite Offshore Services Ltd.	Cyprus
Flowtite Pipe & Tanks AS	Norway
Flowtite Technology AS	Norway
Goodman Ventures, Inc.	Delaware
IPM Inc.	Delaware
Integrex	Delaware
Jefferson Holdings, Inc.	Delaware
LMP Impianti Srl	Italy
Norandex Inc.	Delaware
N.V. Owens-Corning S.A.	Belgium
OC Celfortec Inc.	Canada
O.C. Funding B.V.	The Netherlands
OCW Acquisition Corporation (dba, Delsan Industries Corp.)	Delaware

Owens Corning (Anshan) Fiberglas Co. Limited	China
Owens Corning (China) Investment Company, Ltd.	China
Owens Corning Building Materials Espana S.A.	Spain
Owens-Corning Building Products (U.K.) Ltd.	United Kingdom
Owens Corning Canada Inc.	Canada
Owens-Corning Capital Holdings I, Inc.	Delaware
Owens-Corning Capital Holdings II, Inc.	Delaware
Owens-Corning Capital L.L.C.	Delaware
Owens Corning Cayman (China) Holdings	Cayman Islands
Owens-Corning Cayman Limited	Cayman Islands
Owens Corning Espana SA	Spain
Owens-Corning Fiberglas A.S. Limitada	Brazil

Subsidiaries of Owens Corning (12/31/98)	State or Other Jurisdiction Under the Laws of Which Organized
Owens-Corning Fiberglas Deutschland GmbH	Germany
Owens-Corning Fiberglas Espana, S.A.	Spain
Owens-Corning Fiberglas France S.A.	France
Owens-Corning Fiberglas (G.B.) Ltd.	United Kingdom
Owens-Corning Fiberglas Norway A/S	Norway
Owens-Corning Fiberglas S.A.	Uruguay
Owens-Corning Fiberglas Sweden Inc.	Delaware
Owens-Corning Fiberglas Technology Inc.	Illinois
Owens-Corning Fiberglas (U.K.) Ltd.	United Kingdom
Owens-Corning Fiberglas (U.K.) Pension Plan Ltd.	United Kingdom
Owens-Corning Finance (U.K.) PLC	United Kingdom
Owens-Corning FSC, Inc.	Barbados
Owens-Corning Funding Corporation	Delaware
Owens-Corning (Guangzhou) Fiberglas Co., Ltd.	China
Owens-Corning Holdings Limited	Cayman Islands
Owens Corning HT, Inc.	Delaware
Owens-Corning Isolation France S.A.	France
Owens Corning (Japan) Ltd.	Japan
Owens Corning Mexico, S.A. de C.V.	Mexico
Owens Corning NRO II Inc.	Canada
Owens Corning NRO Inc	Canada
Owens-Corning Ontario Holdings Inc.	Ontario
Owens-Corning Overseas Holdings, Inc.	Delaware
Owens Corning Polyfoam UK Ltd.	United Kingdom
Owens-Corning Real Estate Corporation	Ohio
Owens Corning (Shanghai) Fiberglas Co., Ltd.	China
Owens Corning (Singapore) PTE Ltd.	Singapore
Owens Corning South Africa (Pty) Ltd.	South Africa
Owens Corning SpA	Italy
Owens-Corning (Sweden) AB	Sweden
Owens-Corning (UK) Holdings Limited	United Kingdom
Owens-Corning Veil Netherlands B.V.	The Netherlands
Owens-Corning Veil U.K. Ltd.	United Kingdom
P Metals, Inc.	Delaware
Procanpol SP.Z.O.O.	Poland
Quest Industries, LLC	Delaware
Scanglas Ltd.	United Kingdom
Soltech, Inc.	Kentucky
T Acquisition Inc.	Delaware
Trumbull Asphalt Co. of Delaware	Delaware
Vytec Corporation	Ontario
Vytec Sales Corporation	Delaware
Willcorp, Inc.	Delaware
Wrexham A.R. Glass Ltd.	United Kingdom
10110 Newfoundland Limited	Newfoundland

AMENDMENT NO. 2
DATED AS OF NOVEMBER 30, 1998

TO

CREDIT AGREEMENT
DATED AS OF JUNE 26, 1997

This Amendment No. 2 dated as of November 30, 1998 (the "Amendment") is to the Credit Agreement dated as of June 26, 1997, as amended by the Amendment No. 1 thereto dated as of February 20, 1998 (as so amended, the "Credit

Agreement"), among Owens Corning, the other Borrowers and Guarantors parties thereto, the Banks parties thereto and Credit Suisse First Boston, as Agent. Terms defined in the Credit Agreement have the same meanings when used in this Amendment.

Owens Corning, the other Loan Parties, the Banks, and the Agent hereby agree as follows:

1. Restricted Payments. (a) Section 8.08(b) of the Agreement is hereby amended to delete the figure "$15,000,000" and to insert in lieu thereof the figure "$20,000,000".

(b) Section 8.08 of the Agreement is hereby further amended to insert the word "and" prior to clause (e) thereof, to insert a period in lieu of the semi-colon at the end of clause (e) thereof and to delete clause (f) thereof.

2. Interest Coverage Ratio. Section 8.15 of the Agreement is hereby amended to read as follows:

"Section 8.15 Interest Coverage Ratio. Commencing with the calendar quarter ending September 30, 1997, permit the ratio of Consolidated Adjusted EBITDA to Consolidated Interest Expense as of the last day of any calendar quarter to be less than the following respective amounts for the periods of four consecutive calendar quarters of the Company ending on the last day of the respective calendar quarters ending on the following dates (treating those four consecutive calendar quarters as a single period for the purpose of determining such ratio):

Calendar Quarter Ending	Ratio
March 31, 1998	2.5 to 1.0
June 30, 1998 and September 30, 1998	2.25 to 1.0
Each other March 31, June 30, September 30 and December 31	3.0 to 1.0;

provided, however, that from and after the occurrence of the National Settlement Program Effective Date and so long as the National Settlement Program shall be in full force and effect, for the purpose of calculating the above ratio, the definition of Consolidated Adjusted EBITDA shall be as follows:

"Consolidated Adjusted EBITDA" means, for any period, (i) Consolidated EBITDA for such period, minus (ii) to the extent not deducted in the computation of EBIT for such period, the net after tax amount of the lesser of (A) the remainder (but not less than 0) of (I) actual cash payments made during such period with respect to claims arising out of the use of or exposure to asbestos products, minus (II) to the extent not added in the computation of EBIT for such period, the amount of actual cash payments (including under insurance policies) received during such period with respect to claims arising out of the use of or exposure to asbestos products, and (B) $200,000,000, in respect of each period of four consecutive calendar quarters ending September 30 and December 31, 1999, March 31, June 30, September 30 and December 31, 2000 and 2001 and March 31, 2002, plus (iii) to the extent not added in the calculation of EBIT for such period and to the extent not subtracted pursuant to clause (ii)(A)(II) above, the net after tax amount of actual cash payments (including under insurance policies) received during such period with respect to claims arising out of the use of or exposure to asbestos products, minus (iv) to the extent not deducted in the computation of EBIT for such period, the amount of actual cash payments to the extent that such payments are charged against any reserves established by the Company and its Subsidiaries referred to in clause (iii) of the definition of Consolidated EBITDA, and minus (v) to the extent that (x) the remainder described in the preceding clause (ii) (A) exceeds, during any of the calendar years 1999, 2000 and 2001, $200,000,000 or, during the calendar year 2002, $100,000,000, and (y) the sum of such excess amounts exceeds $900,000,000, then from and including the calendar quarter in which such excess above $900,000,000 occurs and for the three succeeding calendar quarters and from and including each subsequent calendar quarter in which an increase in such excess occurs and for the three succeeding calendar quarters, the net after-tax amount corresponding to such excess above $900,000,000 and to each such increase in such excess."

3. Leverage Ratio. Section 8.16 of the Agreement is hereby amended to add at the end of such Section the following:

"; provided, however, that from and after the occurrence of the National Settlement Program Effective Date and so long as the National Settlement Program shall be in full force and effect, the Company shall not permit the Leverage Ratio to be greater than the following respective amounts at any time during the following respective periods:

Period	Leverage
Ratio December 1, 1998 through December 31, 2001	3.5 to 1.0
January 1, 2002 and thereafter	3.0 to 1.0

4. Asbestos Claims Information. Section 9.01 of the Agreement is hereby amended to add thereto a new sub-Section (f) as follows:

"(f) Asbestos Claims Information. (i) As soon as available and in any event within 60 days after the close of each calendar quarter of the Company, a certificate of the Company's General Counsel with respect to:

(A) the total number of asbestos related health claims settled by the Company and its Subsidiaries (other than Fibreboard) during the preceding calendar quarter;

(B) the total amount of such settlements during such calendar quarter;

(C) the total payments made in respect of all asbestos related health claims during such calendar quarter;

(D) the total number of new asbestos related health claims made against the Company and its Subsidiaries (other than Fibreboard) during such calendar quarter and the total number of such new claims that are subject to long-term agreements between the Company and its Subsidiaries (other than Fibreboard) and the counsel representing the persons making such claims; and

(E) the total number, as of the end of such calendar quarter, of outstanding asbestos related health claims against the Company and its Subsidiaries (other than Fibreboard) not subject to signed settlement agreements.

(ii) In the event that the United States Supreme Court (x) on or before December 31, 1999, does not affirm the January 27, 1998 decision of the United States Court of Appeals for the Fifth Circuit approving the Global Settlement (as defined in the Quarterly Report on Form 10-Q by the Company to the Securities and Exchange Commission for the quarter ended September 30, 1998), or (y) at any time reverses such Fifth Circuit decision or imposes conditions or limitations on the Global Settlement that materially reduce the benefit thereof to Fibreboard, then, as soon as available and in any event within 60 days after the close of each calendar quarter of the Company ending on or after the earlier of March 31, 2000 and the date of the decision of such reversal or imposing such conditions or limitations, and until and unless the United States Supreme Court shall approve the Global Settlement (without imposing such conditions or limitations) or affirm a lower court decision so approving the Global Settlement, a certificate of the Company's General Counsel with respect to:

(A) the total number of asbestos related health claims settled by Fibreboard during the preceding calendar quarter;

(B) the total amount of such settlements during such calendar quarter;

(C) the total payments made in respect of all asbestos related health claims during such calendar quarter;

(D) the total number of new asbestos related health claims made against Fibreboard during such calendar quarter and the total number of such new claims that are subject to long-term agreements between Fibreboard and the counsel representing the persons making such claims; and

(E) the total number, as of the end of such calendar quarter, of outstanding asbestos related health claims against Fibreboard not subject to signed settlement agreements.

5. Definitions. The definitions in Section 15.01(a) of the Agreement are hereby amended as follows:

"BA Margin" means, at any time, the rate per annum equal to the sum of (i) the applicable Utilization Fee at such time, plus (ii) the rate per annum determined at such time based upon the S&P Rating and Moody's Rating at such time set forth under the relevant column heading below opposite such Investment Ratings:

Investment Rating	Rating Margin
1. S&P Rating not lower than BBB+ and Moody's Rating not lower than Baa1	0.40%
2. S&P Rating lower than BBB+ or Moody's Rating lower than Baa1, but S&P Rating not lower than BBB and Moody's Rating not lower than Baa2	0.50%
3. S&P Rating lower than BBB or Moody's Rating lower than Baa2, but S&P Rating not lower than BBB- and Moody's Rating not lower than Baa3	0.625%
4. S&P Rating lower than BBB- 1.00% or Moody's Rating lower than Baa3, but S&P Rating not lower than BB+ and Moody's Rating not lower than Ba1	
5. S&P Rating lower than BB+ or Moody's Rating lower than Ba1	1.25%

"COF Margin" means, at any time, the rate per annum equal to the sum of (i) the applicable Utilization Fee at such time, plus (ii) the rate per annum determined at such time based upon the S&P Rating and Moody's Rating at such time set forth under the relevant column heading below opposite such Investment Ratings:

Investment Rating	Rating Margin
1. S&P Rating not lower than BBB+ and Moody's Rating not lower than Baa1	0.40%
2. S&P Rating lower than BBB+ or Moody's Rating lower than Baa1, but S&P Rating not lower than BBB and Moody's Rating not lower than Baa2	0.50%
3. S&P Rating lower than BBB or Moody's Rating lower than Baa2, but S&P Rating not lower than BBB- and Moody's Rating not lower than Baa3	0.625%
4. S&P Rating lower than BBB- or Moody's Rating lower than Baa3, but S&P Rating not lower than BB+ and Moody's Rating not lower than Ba1	1.00%
5. S&P Rating lower than BB+ or Moody's Rating lower than Ba1	1.25%

"Eurocurrency Margin" means, at any time, the rate per annum equal to the sum of (i) the applicable Utilization Fee at such time, plus (ii) the rate per annum determined at such time based upon the S&P Rating and Moody's Rating at such time set forth under the relevant column heading below opposite such Investment Ratings:

Investment Rating	Rating Margin
1. S&P Rating not lower than BBB+ and Moody's Rating not lower than Baa1	0.40%
2. S&P Rating lower than BBB+ or Moody's Rating lower than Baa1, but S&P Rating not lower than BBB and Moody's Rating not lower than Baa2	0.50%
3. S&P Rating lower than BBB or Moody's Rating lower than Baa2, but S&P Rating not lower	0.625%

than BBB- and Moody's Rating not lower than Baa3	
4. S&P Rating lower than BBB- or Moody's Rating lower than Baa3, but S&P Rating not lower than BB+ and Moody's Rating not lower than Ba1	1.00%
5. S&P Rating lower than BB+ or Moody's Rating lower than Ba1	1.25%

"Facility Fee Rate" means, at any time, a rate per annum determined at such time based upon the Investment Ratings in effect by S&P and Moody's at such time set forth under the relevant column heading below opposite such Investment Ratings:

Investment Rating	Facility Fee Rate
1. S&P rating not lower than BBB+ and Moody's rating not lower than Baa1	0.20%
2. S&P rating lower than BBB+ or Moody's rating lower than Baa1, but S&P rating not lower than BBB and Moody's rating not lower than Baa2	0.25%
3. S&P rating lower than BBB or Moody's rating lower than Baa2, but S&P rating not lower than BBB- and Moody's rating not lower than Baa3	0.25%
4. S&P rating lower than BBB- or Moody's rating lower than Baa3, but S&P rating not lower than BB+ and Moody's rating not lower than Ba1	0.50%
5. S&P rating lower than BB+ or Moody's rating lower than Ba1	0.50%.

"National Settlement Program" refers to the Company's program to enter into agreements with plaintiff's counsel representing individuals or entities who have made claims against the Company as of November 30, 1998 on the basis of asbestos-caused personal injury, provided that such agreements (a) include provisions which either finally settle or set forth an administrative mechanism for the subsequent resolution of any such claim without the need for a civil trial, (b) may not be revoked or canceled by such claimants or their counsel, (c) provide for payments by the Company with respect to such claims, net of applicable insurance proceeds, in an aggregate amount not to exceed $1,600,000,000, and (d) the number of claims subject to such agreements is not less than 150,000.

"National Settlement Program Effective Date" means the date on which the Company has entered into the various agreements described as the National Settlement Program.

"Utilization Fee" means, at any time, a rate per annum equal to (i) if the aggregate principal amount of the Dollar Equivalent Amount of Loans, L/C Participations and Canadian L/C Participations outstanding exceeds 50% of the amount of the Commitments at such time, (A) if the S&P Rating is higher than or equal to BBB- or the Moody's Rating is higher than or equal to Baa3, 0%, and (B) if the S&P Rating is lower than BBB- and the Moody's Rating is lower than Baa3, 0%, or (ii) if the aggregate principal amount of the Dollar Equivalent Amount of Loans, L/C Participations and Canadian L/C Participations outstanding does not exceed 50% of the amount of the Commitments at such time, 0%.

6. Agreement Continues. Except as expressly amended hereby, the Agreement shall remain in full force and effect. Each reference to the "Agreement" in the Agreement and the other Loan Documents shall be deemed to be a reference to the Agreement as amended hereby. The amendments set forth herein shall not be deemed to be a consent to any other waiver or amendment in respect of the Agreement or any other Loan Document.

7. Representations and Warranties. In order to induce the Banks and the Agent to enter into this Amendment, the Company hereby represents and warrants to the Banks and the Agent that:

(a) it has full power, capacity, right and legal authority to execute, deliver and perform its obligations under this Amendment and the Agreement as amended hereby and has taken all action necessary to authorize the execution and delivery of, and the performance of its obligations under, this Amendment and the Agreement as amended hereby;

(b) this Amendment and the Agreement as amended hereby constitute its legal, valid and binding obligations enforceable against it in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally;

(c) the representations and warranties contained in the Agreement are true and correct on and as of the date hereof as though made on and as of the date hereof;

(d) no Default or Event of Default has occurred and is continuing, or would result from the execution, delivery and performance by it of this Amendment or the Agreement as amended hereby; and

(e) as of the date hereof, there are pending against the Company approximately 196,000 asbestos related health claims of which:

(i) approximately 150,000 of such claims are the subject of written agreements to settle between the Company and the claimants and/or their counsel;

(ii) approximately 20,000 of such claims are subject to annual docket agreements;

(iii) approximately 13,500 of such claims have been previously settled and are subject to binding agreements with respect to which all required payments have not yet been made; and

(iv) approximately 4,500 of such claims are no longer being pursued actively.

8. Amendment Fee. The Company hereby agrees to pay an amendment fee to each Bank that executes this Amendment and delivers, by fax, a signed copy of this Amendment to Winthrop, Stimson, Putnam & Roberts, Attention: William C.F. Kurz, Counsel for the Agent, Fax number (212) 858-1500, at or prior to 12:00 Noon, New York City time, on Monday, November 30, 1998. Such amendment fee shall be equal to 0.15% of such Bank's Commitment.

9. Effectiveness. This Amendment shall become effective upon (a) execution hereof by the Company and the Majority Banks, and (b) payment by the Company to the Agent for the respective accounts of the Banks entitled thereto the amendment fees provided in the preceding Section 8 hereof.

10. Governing Law. Pursuant to New York General Obligations Law Section 5-1401, this Amendment shall be governed by the law of the State of New York.

11. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

12. Entire Agreement. This Amendment embodies the entire agreement among the Company, each other Loan Party, the Banks and the Agent with respect to the subject matter hereof and supercedes all prior agreements, representations and understandings, if any, relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be executed by their duly authorized officers as of the day and year first written above.

OWENS CORNING

By: ______________________________
Name:

Title:

By:
Name:
Title:

CREDIT SUISSE FIRST BOSTON,
as Agent and as a Bank
By:
Name:
Title:

By:
Name:
Title:

ARAB BANK PLC

By:
Name:
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By:
Name:
Title:

BANK OF AMERICA ILLINOIS

By:
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THE BANK OF NEW YORK

By:
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THE BANK OF NOVA SCOTIA

By:
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By:
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Title:

THE BANK OF TOKYO-MITSUBISHI, LTD.
CHICAGO BRANCH

By:
Name:
Title:

By:
Name:
Title:

BANQUE FRANCAISE DU COMMERCE EXTERIEUR

By:
Name:
Title:

By:

Name:
Title:

BANQUE NATIONALE DE PARIS

By:______________________________
Name:
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By:______________________________
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BARCLAYS BANK PLC

By:______________________________
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By:______________________________
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CREDIT AGRICOLE INDOSUEZ

By:______________________________
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By:______________________________
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THE CHASE MANHATTAN BANK

By:______________________________
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CIBC, INC.

By:______________________________
Name:
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By:______________________________
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CITIBANK N.A.

By:______________________________
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By:______________________________
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Title:

COMPAGNIE FINANCIERE DE CIC ET DE
L'UNION EUROPEENNE
By:______________________________
Name:
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By:______________________________
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Title:

CREDIT COMMUNAL DE BELGIQUE S.A.

By:______________________________
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CREDIT LYONNAIS CHICAGO BRANCH

By:______________________________
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Title:

DAI-ICHI KANGYO BANK, LTD.
CHICAGO BRANCH

By:______________________________
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By:______________________________
Name:
Title:

DRESDNER BANK AG
NEW YORK AND GRAND CAYMAN BRANCHES

By:______________________________
Name:
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By:______________________________
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Title:

THE FIRST NATIONAL BANK OF CHICAGO

By:______________________________
Name:
Title:
By:______________________________
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Title:

FLEET NATIONAL BANK

By:______________________________
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By:______________________________
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THE FUJI BANK, LIMITED

By:______________________________
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By:______________________________
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Title:

GENERALE BANK NEW YORK BRANCH

By:____________________________
Name:
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By:____________________________
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By:____________________________
Name:
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By:____________________________
Name:
Title:

ISTITUTO BANCARIO SAN PAOLO DI TORINO,
S.P.A., NEW YORK BRANCH

By:____________________________
Name:
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By:____________________________
Name:
Title:

KEYBANK NATIONAL ASSOCIATION

By:____________________________
Name:
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By:____________________________
Name:
Title:

KREDIETBANK N.V., GRAND CAYMAN BRANCH

By:____________________________
Name:
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By:____________________________
Name:
Title:

THE LONG-TERM CREDIT BANK OF
JAPAN, LTD.

By:____________________________
Name:
Title:

MELLON BANK, N.A.

By:____________________________
Name:
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By:____________________________
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MERCANTILE BANK N.A.

By:____________________________
Name:

By:______________________________
Name:
Title:

THE SAKURA BANK, LIMITED
NEW YORK BRANCH

By:______________________________
Name:
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THE SANWA BANK, LIMITED,
CHICAGO BRANCH

By:______________________________
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SOCIETE GENERALE

By:______________________________
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STANDARD CHARTERED BANK

By:______________________________
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THE SUMITOMO BANK, LTD.

By:______________________________
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SUMITOMO BANK OF CALIFORNIA

By:______________________________
Name:
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Title:

THE SUMITOMO TRUST & BANKING
CO., LTD. NEW YORK BRANCH
By:______________________________
Name:
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By:________________________
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Title:

SUNTRUST BANK, ATLANTA

By:________________________
Name:
Title:

By:________________________
Name:
Title:

THE TORONTO DOMINION (TEXAS), INC.

By:________________________
Name:
Title:

By:________________________
Name:
Title:

WACHOVIA BANK OF GEORGIA

By:________________________
Name:
Title:

By:________________________
Name:
Title:

WELLS FARGO BANK (TEXAS),
NATIONAL ASSOCIATION

By:________________________
Name:
Title:

By:________________________
Name:
Title:

WESTDEUTSCHE LANDESBANK GIROZENTRALE
NEW YORK BRANCH

By:________________________
Name:
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By:________________________
Name:
Title:

BANK OF TOKYO-MITSUBISHI (CANADA)

By:________________________
Name:
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By:________________________
Name:
Title:

FIRST CHICAGO NBD BANK CANADA

By:________________________
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By: ______________________
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Title:

THE BANK OF NOVA SCOTIA

By: ______________________
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By: ______________________
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THE CHASE MANHATTAN BANK OF CANADA

By: ______________________
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By: ______________________
Name:
Title:

CANADIAN IMPERIAL BANK OF COMMERCE

By: ______________________
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By: ______________________
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Title:

CREDIT SUISSE FIRST BOSTON CANADA

By: ______________________
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Title:

By: ______________________
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MELLON BANK CANADA

By: ______________________
Name:
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By: ______________________
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Title:

ROYAL BANK OF CANADA

By: ______________________
Name:
Title:

By: ______________________
Name:
Title:

SOCIETE GENERALE (CANADA)

By: ______________________
Name:
Title:

Authorized Signatory

OWENS-CORNING BUILDING PRODUCTS
(U.K.) LTD.

By
Michael I. Miller
Authorized Signatory

OWENS CORNING POLYFOAM UK LTD.

By
Michael I. Miller
Authorized Signatory

OWENS-CORNING ISOLATION FRANCE S.A.

By
Michael I. Miller
Authorized Signatory

Exhibit 10

OWENS CORNING
STOCK PERFORMANCE INCENTIVE PLAN

(as amended and restated effective January 1, 19991998)

ARTICLE 1. Establishment, Purpose, and Duration

1.1 Establishment of the Plan. Owens Corning, a Delaware corporation (hereinafter referred to as the "Company"), has previously established an incentive compensation plan known as the "Owens Corning Stock Performance Incentive Plan" (such Plan as amended from time to time being hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, and Stock Bonuses (including Phantom Stock Bonuses and Restricted Stock).

The Board of Directors of the Company approved the Plan on January 23, 1992, subject to ratification by an affirmative vote of a majority of Shares of Common Stock present and entitled to vote at the 1992 Annual Stockholders Meeting. Following such ratification, the Plan became effective May 1, 1992 (the "Effective Date"). The Board of Directors of the Company thereafter amended the Plan on June 15, 1995, subject to stockholder approval of the amendments at the 1996 Annual Stockholders Meeting. The Plan as so amended became effective as of June 15, 1995. Pursuant to authority delegated by resolution of the Board of Directors to the Company, the Plan has been amended and restated effective January 1, 1998 and January 1, 1999, and shall remain in effect as provided in Section 1.3 herein.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of Participants to those of Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Participants upon whose judgment, interest, and special effort the successful conduct of its operation largely is dependent.

1.3 Duration of the Plan. The Plan shall commence on the Effective Date, as described in Section 1.1 herein, and shall remain in effect, subject to the right of the Board of Directors to terminate the Plan at any time pursuant to Article 9 herein, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after the tenth anniversary of the Plan's Effective Date.

ARTICLE 2. Definitions and Construction

2.1 Definitions. Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) "Affiliates" means any corporation (other than a Subsidiary), partnership, joint venture, or any other entity in which the Company owns, directly or indirectly, at least a ten percent (10%) Beneficial Ownership interest.

(b) "Award" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options or Stock Bonuses (including Phantom Stock Bonuses and Restricted Stock).

(c) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(d) "Board" or "Board of Directors" means the Board of Directors of Owens Corning.

(e) "Cause" means a felony conviction of a Participant or the failure of a Participant to contest prosecution for a felony, or a Participant's willful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company, including any Subsidiary, Parent, or Affiliate.

(f) "Change of Control" of the Company shall be deemed to have occurred as of the first day any one or more of the following conditions shall have been satisfied:

(i) Any Person (other than the Company, any Company employee benefit plan (including its trustee), any Person acting on behalf of the Company in a distribution of stock to the public, or any entity owned directly or indirectly by the stockholders (immediately prior to such transaction) of the Company in substantially the same proportions as their ownership of the Company) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of Directors; or

(ii) The occurrence of any transaction or event relating to the Company that is required to be reported in response to the requirements of Item 5(f) of Schedule 13E-3 of Regulation 13A of the Exchange Act; or

(iii) When, during any period of two (2) consecutive years during the existence of the Plan, the individuals who, at the beginning of such period, constitute the Board of Directors of the Company, cease for any reason other than death to constitute at least a majority thereof, unless each Director who was not a Director at the beginning of such period was elected by, or on the recommendation of, at least two-thirds of the Directors at the beginning of such period, provided that any Director elected by or on the recommendation of at least two-thirds of the Directors at the beginning of any such two (2) year period shall be treated as if he or she had been a Director at the beginning of such period; or

(iv) The occurrence of a transaction requiring stockholder approval for the acquisition of the Company by an entity other than the Company or a Subsidiary through purchase of assets, or by merger, or otherwise.

(g) "Change-of-Control Price" means the highest price per Share of Company Common Stock paid in any transaction reported on the New York Stock Exchange Composite Tape, or paid in any transaction related to a Potential or actual Change of Control of the Company at any time during the preceding sixty (60) calendar day period, as determined by the Committee.

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(i) "Committee" means the committee of two (2) or more Directors appointed by the Board to administer the Plan, as further provided in Article 3 herein. When used herein, "Committee" shall also include any person or persons to whom the Committee's authority has been lawfully delegated pursuant to Article 3.

in lieu of, or as a supplement to, any other compensation that may have been earned by services rendered prior to the payment date, subject to such terms and conditions (if any) as the Committee may impose. Phantom Stock Bonus Awards are a specific type of Stock Bonus Award.

(z) ''Potential Change of Control'' of the Company shall mean the occurrence of one or more of the following:

(i) The entering into an agreement by the Company, the consummation of which would result in a Change of Control; or

(ii) The acquisition of Beneficial Ownership, directly or indirectly, by any Person (other than the Company, any Company employee benefit plan (including its trustee), any Person acting on behalf of the Company in a distribution of stock to the public, or any entity owned directly or indirectly by the stockholders (immediately prior to the acquisition) of the Company in substantially the same proportions as their ownership of the Company) of securities of the Company representing five percent (5%) or more of the combined voting power of the Company's then outstanding securities, and the adoption by the Board of Directors of a resolution to the effect that a Potential Change of Control of the Company has occurred for purposes of this Plan.

(aa) ''Restricted Stock'' means an Award granted to a Participant pursuant to Article 7 herein.

(bb) ''Retirement'' means termination of employment with the Company, its Subsidiaries and Affiliates at or after attainment of age 55 with a vested retirement benefit under a pension plan of the Company, a Subsidiary or Affiliate.

(cc) ''Share(s)'' or ''Stock'' means the Shares of common stock, $0.10 par value, of Owens Corning.

(dd) ''Stock Bonus Award'' means Shares, or an amount of cash that is determined by reference to the Fair Market Value of Shares, which is distributed or paid to an Employee or which the Committee agrees to distribute or pay in the future in lieu of, or as a supplement to, any other compensation that may have been earned by services rendered prior to the distribution or payment date, subject to such terms and conditions (if any) as the Committee may impose. The amount of any Stock Bonus Award payable in Shares may but need not be determined by reference to the Fair Market Value of Stock. Phantom Stock Bonus Awards and Restricted Stock Awards are specific types of Stock Bonus Awards.

(ee) ''Subsidiary'' means any corporation in which the Company owns, directly or indirectly, at least fifty percent (50%) of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least fifty percent (50%) of the combined equity thereof.

(ff) ''Year'' or ''Plan Year'' means each consecutive twelve (12) month period beginning January 1 and ending December 31.

2.2 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

2.3 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE 3. Administration

3.1 The Committee. The Plan shall be administered by the Compensation Committee of the Board, its lawful designee, or by any other Committee appointed by the Board consisting of not less than two (2) Directors who are not Employees. Unless the Board determines otherwise, the Committee shall be comprised exclusively of Directors who are not Employees and who (i) qualify to administer the Plan under Rule 16b-3 under the Exchange Act as such Rule may be in effect from time to time (''SEC Rule 16b-3''), and (ii) are ''outside directors'' within the meaning of Section 162(m)(4)(C) of the Code. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors.

3.2 Authority of the Committee. The Committee, including its designee, shall have full power, subject to the provisions herein, to select Employees to whom Awards are granted; to determine the size, types, and frequency of Awards granted hereunder; to determine the terms and conditions of such Awards in a manner consistent with the Plan; to establish and administer any performance goals applicable to awards hereunder and to certify that any such goals are attained; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, or waive rules and regulations for the Plan's administration; and to amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. To the extent permitted by law, and to the extent allowable by SEC Rule 16b-3, the Committee may delegate its authorities as identified hereunder.

3.3 Rule 16b-3 Requirements; Code Section 162(m). Any provision of the Plan to the contrary notwithstanding: (i) the Committee may impose such conditions on any Award as it may determine, on the advice of counsel, are necessary or desirable to satisfy any exemption from Section 16 of the Exchange Act for which the Company intends transactions by Insiders to qualify, including without limitation SEC Rule 16b-3; (ii) transactions by or with respect to Insiders shall comply with any applicable conditions of SEC Rule 16b-3 unless the Committee determines otherwise; (iii) transactions with respect to persons whose remuneration would not be deductible by the Company but for compliance with the provisions of Section 162(m)(4)(C) of the Code shall conform to the requirements of Section 162(m)(4)(C) of the Code unless the Committee determines otherwise; (iv) the Plan is intended to give the Committee the authority to grant awards that qualify as performance-based compensation under Code Section 162(m)(4)(C) as well as awards that do not so qualify; and (v) any provision of the Plan that would prevent the Committee from exercising the authority referred to in clause (iv) above or that would prevent an award that the Committee intends to qualify as performance-based compensation under Code Section 162(m)(4)(C) from so qualifying or that would prevent any transaction by or with respect to an Insider from complying with any applicable condition of SEC Rule 16b-3 with which the Committee intends such transaction to comply, or that would prevent any transaction by or with respect to an Insider from qualifying for any exemption from Section 16 of the Exchange Act for which the Company intends such transaction to qualify (including SEC Rule 16b-3), shall be administered, interpreted and construed to carry out such intention and any provision that cannot be so administered, interpreted and construed shall to that extent be disregarded.

3.4 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions of the Board of Directors shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Employees, Participants, and their estates and beneficiaries.

ARTICLE 4. Shares Subject to the Plan

4.1 Number of Shares. Subject to adjustment as provided in Section 4.2 herein, the total number of Shares available for grant under the Plan in each calendar year, during any part of which the Plan is effective, shall be two percent (2%) of the total outstanding Shares as of the first day of such calendar year; provided, however, that Shares not granted in any calendar year may be carried forward and granted in any of the three immediately subsequent calendar years (in addition to the new Shares made available in those years). The maximum number of Shares with respect to which Options may be granted to any Employee in any calendar year shall be twenty-five percent (25%) of the total number of Shares available for grant under the Plan in such calendar year.

No more than 500,000 Shares may be issued or transferred pursuant to Incentive Stock Options granted under this Plan. No more than one-half percent (.5%) of the total outstanding Shares as of the first day of any calendar year may be granted in that year in the form of Stock Bonuses (including Phantom Stock Bonuses and Restricted Stock). However, unused Shares carried forward from previous years shall retain their character such that this one-half percent (.5%) limitation shall increase in direct relationship to those unused Shares reserved for Stock Bonuses in the prior three years.

The Company may increase the Shares available for Awards in any calendar year through an advance of up to twenty-five percent (25%) of the subsequent year's allocation (determined by using twenty-five percent (25%) of the current year's allocation), with such Shares retaining their character as to Stock Bonus grant availability. Any Shares granted hereunder may consist, in whole, or in part, of authorized and unissued Shares or Treasury Shares or Shares purchased in the open market or in private transactions for purposes of the Plan.

4.2 Adjustments in Authorized Shares. In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, stock split, Share combination, or other change in the corporate structure of the Company affecting the Shares, a substitution or adjustment shall be made in the number and class of Shares which may be delivered under the Plan, and in the number and class of and/or price of Shares subject to outstanding Options and Stock Bonus awards (including any Restricted Stock granted hereunder), as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; and further provided that the number of Shares subject to any Award shall always be a whole number.

4.3 Charging of Shares. If any Shares subject to an Award or, in the case of a Phantom Stock Bonus Award, the cash value of any Shares on which such Award is based, shall not be issued, transferred or paid to an Employee and shall cease to be issuable, transferable or payable to an Employee because of the termination, expiration or cancellation, in whole or in part, of such Award or for any other reason, or if any such Shares shall, after issuance or transfer, be reacquired by the Company because of an Employee's failure to comply with or satisfy the terms and conditions of an Award, the Shares not so issuable or transferable or, in the case of a Phantom Stock Bonus Award, the Shares the cash value of which has ceased to be payable, or the Shares so reacquired by the Company, as the case may be, shall no longer be charged against the limitations provided for in section 4.1 above, may again be made subject to Awards, and shall be added to the number of Shares available for grant under the Plan in the calendar year in which the Shares cease to be issuable or transferable, the cash value ceases to be payable or the Shares are reacquired (as the case may be).

ARTICLE 5. Eligibility and Participation

5.1 Eligibility. All Employees shall be eligible to be selected to participate in this Plan, including Employees who are Directors but excluding Directors who are not Employees.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Employees, those to whom Awards shall be granted and shall determine the nature and amount of each Award. Awards may be made on a stand-alone basis or in conjunction with other Awards hereunder. Except as provided otherwise in Section 6.1 below, the grant of any award may be effective on the date on which the Committee acts to grant the award or on any earlier or subsequent date specified by the Committee, and the effective date specified by the Committee shall be considered the date of grant of the award for all purposes of this Plan.

ARTICLE 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, the Committee may grant Options under this Plan to eligible Employees at any time and from time to time, whether or not they are eligible to receive similar or dissimilar incentive compensation under any other plan or arrangement of the Company. Options may be granted in the form of ISOs, NQSOs or a combination thereof. Nothing in this Article 6 shall be deemed to prevent the grant of NQSOs in excess of the maximum established by Section 422 of the Code. The grant of any option may be effective on the date on which the Committee acts to grant the option or on any subsequent date specified by the Committee, and the effective date specified by the Committee shall be considered the date of grant of the option for all purposes of this Plan.

6.2 Options to be in Writing. Each Option grant shall be evidenced in a writing signed by a representative of the Company duly authorized to do so, that shall specify or incorporate by reference the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as are provided hereunder and any other terms and conditions that may be imposed by the Committee. The Option instrument also shall specify whether the Option is an Incentive Stock Option or a Nonqualified Stock Option.

6.3 Option Price. In no case shall the Option Price of any Option granted under this Plan be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

6.4 Duration of Options. Each Option shall expire at such time as determined at the time of grant; provided, however, that no Option shall be exercisable later than the tenth (10th) anniversary date of its grant.

6.5 Exercise of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions, terms and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant. However, except as provided in Article 8 herein, in no event may any Option granted under this Plan become exercisable prior to six (6) months following the date of its grant.

Options shall be exercised by the delivery of a written notice of exercise to the Company, or by giving the Company notice of such exercise by such other means as the Company may permit in accordance with applicable law, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment.

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent; or (b) by tendering previously acquired Shares having a Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months prior to their tender or for such other period of time, if any, as the Committee may direct); or (c) by a combination of (a) and (b).

The Option Price shall also be deemed fully paid if and when the Company receives documentation that it determines satisfies the cashless exercise provisions of the Federal Reserve Board's Regulation T, or when the Option Price is paid by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

As soon as practicable after receipt of notification of exercise acceptable to the Company and full payment (including tax withholding requirements, if any, as further provided in Article 12 herein), the Company shall deliver to the Participant, in the Participant's name, in the name of the Participant and another person as joint tenants with rights of survivorship, or in nominee or street name on behalf of the Participant (as the Participant may direct and the Committee may permit) Share certificates or brokerage account credit (electronically, via DWAC (Deposit/Withdrawal As Custodian) in an appropriate amount based upon the number of Shares purchased under the Option(s).

6.6 Restrictions. At the time of grant, restrictions may be imposed on any Shares acquired pursuant to the exercise of an Option under the Plan, including, without limitation, restrictions under applicable Federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.7 Termination of Employment Due to Death, Disability, or Retirement.

(a) Termination by Death. In the event the employment of a participant with the Company and its Subsidiaries is terminated by reason of death, any outstanding Options may thereafter be immediately exercised, to the extent then exercisable (or on such accelerated basis as the Committee shall determine at or after grant), by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of three years and six months (or such shorter period as the Committee shall specify at or after grant) from the date of such death or until the expiration of the stated term of such Option, whichever period is shorter.

(b) Termination by Disability. If a Participant's employment with the Company and its Subsidiaries terminates by reason of Disability, any Stock Option held by such Participant may thereafter be exercised, to the extent it was exercisable at the time of termination due to Disability (or on such accelerated basis as the Committee shall determine at or after grant), but may not be exercised after (i) three years and six months (or such shorter period as the Committee shall specify at or after grant) from the date of such termination of employment, or (ii) the expiration of the stated term of such Stock Option, whichever period is shorter; provided, however, that, if the Participant dies within such three-year-and-six-month period (or such shorter period as the Committee shall specify at or after grant), any unexercised Stock Option held by such Participant shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months (or such shorter period as the Committee shall specify at or after grant) from the date of such death or for the stated term of such Stock Option, whichever period is shorter. If an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option shall thereafter be treated as a Nonqualified Stock Option.

(c) Termination by Retirement. If a Participant's employment with the Company and its Subsidiaries is terminated by reason of Retirement, any Stock Option held by such Participant may thereafter be exercised to the extent it was exercisable at the time of such Retirement (or on such accelerated basis as the Committee shall determine at or after grant), but may not be exercised after five years (or such shorter period as the Committee shall specify at or after grant) from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is shorter; provided, however, that, if the Participant dies within such five year period (or such shorter period as the Committee may specify at or after grant), any unexercised Stock Option held by such Participant shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for the shorter of (i) and (ii) where (i) is a period of twelve months (or such shorter period as the Committee shall specify at or after grant) from the date of such death or, if longer, the remainder of such five year (or shorter) period from the date of such termination of employment, and (ii) is the expiration of the stated term of the Stock Option. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option shall thereafter be treated as a Nonqualified Stock Option.

6.8 Termination of Employment for Other Reasons. Unless otherwise determined by the Committee at or after grant, if a Participant's employment with the Company and its Subsidiaries terminates voluntarily (other than by reason of Retirement or under circumstances constituting Cause), the Stock Option shall thereupon terminate, except that such Stock Option may be exercised to the extent it was exercisable at the time of termination of employment for the lesser of one year (or such shorter period as the Committee may specify at or after grant) from the date of employment termination or the balance of such Stock Option's term. If a Participant's employment with the Company and its Subsidiaries is involuntarily terminated by the Company without Cause, the Option shall thereupon terminate, except that it may thereafter be exercised to the extent it was exercisable at the time of termination of employment (or on such accelerated basis as the Committee shall determine at or after grant) for the lesser of five years (or such shorter period as the Committee may specify at or after grant) from the date of employment termination or the balance of such Stock Option's term.

If the employment of a Participant shall terminate for Cause, all outstanding Options held by the Participant immediately shall be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the Options.

6.9 Nontransferability of Options. No Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all Options granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant. Notwithstanding the foregoing and any other provision of the Plan to the contrary, if the Committee so permits, Options may be transferred (i) by a Participant who is a member of a group of Participants specifically designated by the Committee as eligible to transfer Options pursuant to such uniform guidelines as the Committee may establish for this purpose from time to time, or (ii) following the death of a Participant, to a beneficiary designated by the Participant in accordance with Article 10 below.

ARTICLE 7. Restricted Stock

7.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, Restricted Stock may be granted to eligible Employees at any time and from time to time, whether or not they are eligible to receive similar or dissimilar incentive compensation under any other plan or arrangement of the Company. The purchase price for Shares of Restricted Stock shall be equal to their par value per Share.

7.2 Restricted Stock Agreement. Each Restricted Stock grant shall be evidenced by a Restricted Stock Agreement that shall specify the Period of Restriction, or Periods, the number of Restricted Stock Shares granted, and such other provisions as provided hereunder or as the Committee may impose.

7.3 Nontransferability of Restricted Stock. Except as provided in this Article 7, the Shares of Restricted Stock granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction as specified in the Restricted Stock Agreement and the satisfaction of any conditions determined at the time of grant and specified in the Restricted Stock Agreement. However, except as provided in Article 8 herein, in no event may any Restricted Stock granted under the Plan become vested in a Participant prior to six (6) months following the date of its grant. All rights with respect to the Restricted Stock granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant.

7.4 Other Restrictions. The Committee shall impose such other restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, a required purchase price imposed upon Participants, restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual), and/or restrictions under applicable Federal or state securities laws; and may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions. Further, the Committee at its discretion, may require that the Shares evidencing such Restricted Stock grants be held in custody by the Company until any or all restrictions thereon shall have lapsed.

7.5 Certificate Legend. In addition to any legends placed on certificates pursuant to Section 7.4 herein, each certificate representing Shares of Restricted Stock granted pursuant to the Plan shall bear the following legend:

> "The sale or other transfer of the Shares of Stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Owens Corning Stock Performance Incentive Plan, and in the related Restricted Stock Agreement. A copy of the Plan and such Restricted Stock Agreement may be obtained from the Secretary of Owens Corning."

7.6 Removal of Restrictions. Except as otherwise provided in this Article 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the Period of Restriction, provided the applicable conditions to vesting of such Shares have been fulfilled. Once the Shares are released from the restrictions, the Participant shall be entitled to have the legend required by Section 7.5 removed from his or her Share certificate.

7.7 Voting Rights. During the Period of Restriction and prior to any forfeiture of the Shares, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares.

7.8 Dividends and Other Distributions. During the Period of Restriction and prior to any forfeiture of the Shares, Participants holding Shares of Restricted Stock granted hereunder shall be entitled to receive all dividends and other distributions paid with respect to those Shares while they are so held. If any such dividends or distributions are paid in Shares, the Shares shall be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

7.9 Termination of Employment. The Committee may but need not provide at or after the grant of Restricted Stock for the restrictions on all or any designated portion of the Shares of

Restricted Stock to lapse in the event of death, Disability, Retirement or other designated termination of employment.

ARTICLE 7A. Stock Bonuses

7A.1 Except as otherwise provided in section 15.3, Stock Bonus Awards shall be subject to the following provisions:

(a) An eligible Employee may be granted a Stock Bonus Award whether or not he is eligible to receive similar or dissimilar incentive compensation under any other plan or arrangement of the Company.

(b) Shares subject to a Stock Bonus Award (other than a Phantom Stock Bonus Award) may be issued or transferred to an Employee, and the cash value of the Shares on which a Phantom Stock Bonus Award is based may be paid to an Employee, at the time such Award is granted, or at any time subsequent thereto, or in installments from time to time, and subject to such terms and conditions, as the Committee shall determine. In the event that any such issuance, transfer or payment shall not be made to the Employee at the time such Award is granted, the Committee may but need not provide for payment to such Employee, either in cash or Shares, from time to time or at the time or times such Shares shall be issued or transferred or cash shall be paid to such Employee, of amounts not exceeding the dividends which would have been payable to such Employee in respect of such Shares (as adjusted under section 4.2) if such Shares had been issued or transferred to such Employee at the time such Award was granted.

(c) Any Stock Bonus Award may, in the discretion of the Committee, be settled in cash, on each date on which Shares would otherwise have been delivered or become unrestricted, in an amount equal to the Fair Market Value on such date of the Shares which would otherwise have been delivered or become unrestricted. A Phantom Stock Bonus Award shall be payable only in the form of cash. Subject to Section 4.3 above, the Shares subject to a Stock Bonus Award (including a Phantom Stock Bonus Award) shall be deducted from the number of Shares available for grant under the Plan, whether the Award is settled in the form of cash or Shares.

(d) Stock Bonus Awards shall be subject to such terms and conditions, including, without limitation, restrictions on the sale or other disposition of any Shares to be issued or transferred pursuant to such Award, and conditions calling for forfeiture of the Award or the Shares issued or transferred or cash paid pursuant thereto in designated circumstances, as the Committee shall determine; provided, however, that upon the issuance or transfer of Shares to an Employee pursuant to any such Award, the recipient shall, with respect to such Shares, be and become a shareholder of the Company fully entitled to receive dividends, to vote and to exercise all other rights of a stockholder except to the extent otherwise provided in the Award. All or any portion of a Stock Bonus Award may but need not be made in the form of a Restricted Stock Award or a Phantom Stock Bonus Award.

(e) Each Stock Bonus Award shall be evidenced in a writing, signed by a representative of the Company duly authorized to do so, which shall be consistent with and subject to this Plan.

ARTICLE 8. Change of Control

8.1 Acceleration and Cashout. Subject to the provisions of Section 8.2 herein, upon the occurrence of a Change of Control of the Company, or, if and to the extent so determined by the Committee in writing at or after grant (subject to any right of approval expressly reserved by the Committee at the time of such determination), in the event of a Potential Change of Control of the Company, unless specifically prohibited by the terms of Article 15 herein:

(a) Any Stock Options awarded under the Plan immediately shall become fully vested and exercisable;

(b) Any restrictions and other conditions pertaining to outstanding Stock Bonuses (including Phantom Stock Bonuses and Restricted Stock), including but not limited to vesting requirements, immediately shall lapse; and

(c) The value of all outstanding Stock Options and Stock Bonuses (including Phantom Stock Bonuses and Restricted Stock) shall, to the extent determined by the Committee at or after grant, be cashed out by the Company on the basis of the Change-of-Control Price (or, in the case of Incentive Stock Options, Fair Market Value) as of the date the Change of Control occurs, or Potential Change of Control is determined to have occurred, or such other date as the Committee may determine prior to the occurrence of the Change of Control or Potential Change of Control.

Notwithstanding the foregoing provisions of this Section 8.1, the Committee may determine, in its sole discretion, that no Change of Control or Potential Change of Control shall be deemed to have occurred with respect to a Participant (i) by reason of any actions or events (''Interested Actions'') in which the Participant acts in a capacity other than as a director, officer or employee of the Company (or a Subsidiary or Affiliate, where applicable), or (ii) with respect to any such action or event occurring within 90 days following the public announcement of any Interested Actions, regardless of whether the Participant is interested in such action or event.

8.2 Award Replacement. Notwithstanding Section 8.1 herein, no acceleration of vesting and exercisability, nor lapse of restrictions and other conditions, nor cashout shall occur (pursuant to Sections 8.1(a), (b), and (c) herein) for outstanding Awards granted hereunder if the Committee reasonably determines in good faith, prior to the Change of Control or Potential Change of Control, that such Awards shall be honored or assumed, or new rights substituted therefor (such honored, assumed, or substituted award hereinafter called an ''Alternative Award'') by a Participant's employer (or the parent or a subsidiary of such employer) simultaneous with or immediately following the Change of Control or Potential Change of Control, provided, however, that any such Alternative Award must:

(a) In the event of Stock Options and Stock Bonuses:

(i) Be based on stock which is traded on an established securities market, or which will be so traded within thirty (30) days of the Change of Control or Potential Change of Control; or

(ii) Have a value based directly upon an objective standard of valuation (including, but not limited to, a publicly reported stock index) acceptable to the Committee under the circumstances and provide each Participant, subject to requirements as to vesting or lapse of restrictions, with an opportunity to put the Shares or other securities covered by the Award to his or her employer (or the parent, general partner, or a subsidiary of such employer) for purchase with payment to be made in cash within ten (10) business days of receipt of such employee's put;

(b) For all Awards:

(i) Provide such Participant (or each Participant in a class of Participants) with rights and entitlements substantially equivalent to or better than the rights, terms, and conditions applicable under such Awards, including, but not limited to, an identical or better vesting schedule and identical or better timing and methods of payment;

(ii) Have substantially equivalent economic value to such Awards (determined at the time of the Change of Control or Potential Change of Control);

(iii) Have terms and conditions which provide that in the event the Participant's employment is involuntarily terminated without Cause or constructively terminated:

(A) Any conditions on a Participant's rights under, or any restrictions on transfer or exercisability applicable to, each such Alternative Award shall be waived or shall lapse, as the case may be; and

(B) Each Participant shall have the right to surrender such Alternative Awards within thirty (30) days following such termination in exchange for a payment in cash equal to the excess of the Fair Market Value of the stock subject to the Alternative Award over the price, if any, that a Participant would be required to pay to exercise such Alternative Award.

For this purpose, a constructive termination shall mean a termination by a Participant following a material reduction in the Participant's compensation, a reduction in the Participant's responsibilities, or the relocation of the Participant's principal place of employment to another location, in each case without the Participant's advance written consent.

8.3 Excise Tax Reimbursement. In the event that any accelerations, lapse of restrictions, cashouts, Award replacements, and/or any other event under this Plan will cause a Participant to be subject to the tax (the ''Excise Tax'') imposed by Section 4999 of the Code (or any similar tax that may hereafter be imposed), the Company shall pay to the Participant at the time specified below an additional amount (the ''Gross-up Payment'') such that the net amount retained by the Participant, after deduction of any Excise Tax on the Total Payments (as hereinafter defined) and any Federal, state, and local income tax and Excise Tax upon the Gross-up Payment provided for by this Section 8.3, but before deduction for any Federal, state, or local income tax on the Total Payments, shall be equal to the Total Payments.

For purposes of determining whether any Participant will be subject to the Excise Tax and the amount of such Excise Tax:

(a) Any other payments or benefits received or to be received by a Participant in connection with a Change of Control of the Company or a Participant's termination of employment (whether pursuant to the terms of this Plan or any other plan, arrangement, or agreement with the Company, any Person whose actions result in a Change of Control of the Company or any Person affiliated with the Company or such Person) (which together with the benefits and/or payments provided hereunder, shall constitute the ''Total Payments'') shall be treated as ''parachute payments'' within the meaning of Section 280G(b)(2) of the Code, and all ''excess parachute payments'' within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of tax counsel selected by the Committee, such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code or are otherwise not subject to the Excise Tax;

(b) The amount of the total Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of: (A) the total amount of the Total Payments; or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) of the Code (after applying clause (a) above); and

(c) The value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Section 280G(d)(3) of the Code.

For purposes of determining the amount of the Gross-Up Payment, a Participant shall be deemed to pay Federal income taxes at the highest marginal rate of Federal income taxation for the calendar year in which the Gross-Up Payment is to be made and the applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in Federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time the Gross-Up Payment is made, a Participant shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and Federal, state and local income tax imposed on the portion of the Gross-Up Payment being repaid by a Participant if such repayment results in a reduction in Excise Tax and/or a Federal, state, and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time the Gross-Up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined.

The Gross-Up Payment or portion thereof provided for in this Section 8.3 shall be paid no later than the thirtieth (30th) calendar day following payment of any amounts under this section, provided, however, that if the amount of such Gross-Up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to a Participant on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined, but in no event later than the forty-fifth (45th) calendar day after payment of any amounts under this Section 8.3. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to each Participant, payable on the fifth (5th) calendar day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

ARTICLE 9. Amendment, Modification and Termination

9.1 Amendment and Termination. The Board, the Committee, or its lawful designee may, at any time and from time to time, amend or modify the Plan in any respect without stockholder approval, unless stockholder approval of the amendment or modification in question is required under Delaware law, the Code (including without limitation Code section 162(m)(4) and Code Section 422 and Treasury regulations issued or proposed thereunder), any applicable exemption from Section 16 of the Exchange Act (including without limitation SEC Rule 16b-3) for which the Company intends transactions by Insiders to qualify, any national securities exchange or system on which the Stock is then listed or reported, by any regulatory body having jurisdiction with respect to the Plan, or under any other applicable laws, rules or regulations. The Board may also terminate the Plan at any time. The Committee may amend the terms of any Award granted under the Plan, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without such Participant's consent.

9.2 Awards Previously Granted. No termination, amendment or modification of the Plan shall in any manner adversely affect any Award previously granted under the Plan, without the written consent of the Participant holding such Award

ARTICLE 10. Beneficiary Designation

The Committee may (but need not) permit a Participant, from time to time and subject to such terms and conditions as it may impose, to name a beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Human Resource Department of the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

ARTICLE 11. Rights of Employees; Other Plans and Arrangements

11.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Subsidiaries or Affiliates (or between Subsidiaries and Affiliates) shall not be deemed a termination of employment.

11.2 Participation. No Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

11.3 Transferability Restriction. Any derivative security issued under this Plan (within the meaning of SEC Rule 16b-3(a)(2)) is not transferable by the participant other than by will or the laws of descent and distribution. Notwithstanding the foregoing and any other provision of the Plan to the contrary, if the Committee so permits, an award under this Plan may be transferred (i) by a Participant who is a member of a group of Participants specifically designated by the Committee as eligible to transfer

Options pursuant to such uniform guidelines as the Committee may establish for this purpose from time to time, or (ii) following the death of a Participant, to a beneficiary designated by the Participant in accordance with Article 10 above.

11.4 Other Plans and Arrangements. Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to directors, officers, or employees generally, or to any class or group of such persons, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without limitation, any incentive compensation, retirement, pension, group insurance, restricted stock, stock purchase, stock bonus, stock incentive or stock option plan.

ARTICLE 12. Withholding

12.1 Tax Withholding. A Participant shall remit to the Company an amount sufficient to satisfy any taxes the Company determines are required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of this Plan.

12.2 Share Withholding. With respect to withholding required upon the exercise of Options, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event hereunder, the Committee may permit or require Participants, subject to such terms and conditions as it may impose, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the maximum marginal total tax which could be imposed on the transaction or such greater or lesser amount as the Committee may permit. If the Committee so provides, such Shares withheld may be already owned Shares which the Participant tenders in satisfaction of the withholding requirement or Shares issuable by the Company in connection with the exercise of Options, the lapse of restrictions on Restricted Stock or the other taxable event hereunder, or Shares from any other source.

ARTICLE 13. Indemnification

No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

ARTICLE 14. Successors

All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

ARTICLE 15. Requirements of Law

15.1 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges, as the Company may determine apply.

15.2 Governing Law. To the extent not preempted by Federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware, without reference to the principles of conflicts of laws of that State.

15.3 Non-U.S. Laws. In the event the laws of a foreign country, in which the Company, a Subsidiary or Affiliate has Employees, prescribe certain requirements for stock incentives to qualify for advantageous treatment under the tax or other laws or regulations of that country, the proper officers of the Company, may restate, in whole or in part, this Plan and may include in such restatement additional provisions for the purpose of qualifying the restated plan and stock incentives granted thereunder under such laws and regulations; provided, however, that (a) the terms and conditions of any stock-based incentive granted under such restated plan may not be more favorable to the recipient than would be permitted if such stock-based incentive had been granted under the Plan as herein set forth, (b) all Shares allocated to or utilized for the purposes of such restated plan shall be subject to the limitations of Article 4, and (c) the provisions of the restated plan may give the Board less but not more discretion to amend or terminate such restated plan than is provided with respect to this Plan by the provisions of Article 9 hereof

Exhibit 10

KEY MANAGEMENT SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is made as of November 24, 1998 by and between OWENS CORNING, a Delaware corporation (the "Company"), and Maura J. Abeln, an officer of the Company ("Executive").

WHEREAS the Compensation Committee of the Board of Directors of the Company (the "Committee") has approved a severance agreement to provide Executive with certain protections and to conform the terms of such agreement to the current policy of the Company regarding an officer's entitlement to pay, benefits and privileges on the termination of his employment;

NOW THEREFORE, the parties hereto agree as follows:

1. Termination Absent a Change of Control.

a) If, prior to a Change of Control (as defined in paragraph 7(c) below), (i) the Company terminates Executive's employment for any reason other than Permanent Total Disability or Cause (as defined in paragraphs 7(e) and 7(b)(1)&(2), respectively, below), or (ii) Executive voluntarily terminates her employment under circumstances involving a Constructive Termination (as defined in paragraph 7(d), below), Executive will be entitled to the following compensation, provided that Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Base salary earned and as yet unpaid through the effective date of termination; and

2) Two years' Base Pay (as defined in paragraph 7(a) below); and

3) Two times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

4) Incentive Pay as yet unpaid from the prior fiscal year and Incentive Pay for the fiscal year of termination, prorated for the period of Executive's actual employment prior to termination; and

5) Executive's vested Cash Balance Pension Benefit plus an amount equal to the present value of the additional vested pension benefits payable to Executive in accordance with the Company's Supplemental Executive Retirement Plan (the "SERP"), as approved by the Compensation Committee of the Board of Directors on December 11, 1997 and referenced in the November 24, 1998 letter from Glen Hiner, a copy of which is appended to this Agreement. Executive's regular, vested pension earnings will not be increased by compensation paid under the SERP.

b) If, prior to a Change of Control, the Company terminates Executive's employment for Cause (as defined in paragraph 7(b)(3), below), Executive will only be entitled to base salary earned and as yet unpaid through the effective date of termination and Executive's vested Cash Balance and vested SERP Pension Benefits, UNLESS, (i) the Company exercises its discretion to award Executive (in addition to the aforementioned base salary and vested pension amounts) some portion of the following compensation, based on effort expended and results obtained to date and (ii) Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Up to but no more than Twelve months' Base Pay (as defined in paragraph 7(a) below); and

2) Up to but no more than One times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

3) Up to but no more than the amount of Incentive Pay as yet unpaid from the prior fiscal year.

c) The compensation payable under paragraph 1(a) or 1(b), above, shall be paid as soon as practicable after Executive signs, returns and does not revoke the requisite Release and Non-Competition Agreement.

d) In the event of a termination of Executive's employment under the circumstances described in paragraph 1(a) above:

1) All stock options previously awarded to Executive shall, to the extent not already vested, immediately vest, and shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All shares of restricted stock previously awarded to Executive shall, to the extent not already vested, immediately vest and be payable.

3) All outstanding but unearned performance shares shall be forfeited.

4) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued through the date of termination under any non-qualified deferred compensation plan or arrangement shall immediately vest and be payable, to the extent permissible under the terms of such plan or arrangement.

e) In the event of a termination of Executive's employment under the circumstances described in paragraph 1(b) above:

1) All stock options previously awarded to Executive which are exercisable on the date of termination shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All unvested shares of restricted stock and all outstanding but unearned performance shares previously awarded to Executive shall be forfeited.

3) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued and vested through the date of termination under any non-qualified deferred compensation plan or arrangement shall be payable, to the extent permissible under the terms of such plan or arrangement.

f) If Executive's employment ends under circumstances described in paragraph 1(a) above as a result of the sale by the Company of a business unit, division or facility, payments will be made under this paragraph 1 only if Executive is not offered a substantially equivalent position with the Company or with the new owner of the business (without regard to whether Executive accepts such a position). If Executive receives and accepts a suitable offer from the new owner of the business and is subsequently terminated within one year of the closing date of the sale under circumstances that would result in payment of benefits under this paragraph 1(a), Executive will be treated as though she had been terminated by the Company and receive the payments provided for in this Agreement, less any amounts or benefits provided by the new owner in connection with Executive's termination.

2. Termination On or After a Change of Control.

a) If, within a two-year period after a Change of Control, (i) the Company (or any successor) terminates Executive's employment for any reason other than Permanent Total Disability or Cause (as defined in paragraphs 7(e) and 7(b)(1)&(2), respectively, below), or (ii) Executive voluntarily terminates her employment under circumstances involving a Constructive Termination, Executive will be entitled to the following compensation, provided that Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Base salary earned and as yet unpaid through the effective date of termination; and

2) Two years' Base Pay; and

3) Two times Executive's Separation Incentive Payment; and

4) Incentive Pay as yet unpaid from the prior fiscal year and Target Level Incentive Pay (as defined in paragraph 7(h) below)

for the fiscal year of termination, prorated for the period of Executive's actual employment prior to termination; and

5) Executive's vested Cash Balance Pension Benefit plus an amount equal to the present value of the additional vested pension benefits payable to Executive in accordance with the Company's Supplemental Executive Retirement Plan (the "SERP"), as approved by the Compensation Committee of the Board of Directors on December 11, 1997 and referenced in the November 24, 1998 letter from Glen Hiner, a copy of which is appended to this Agreement. Executive's regular, vested pension earnings will not be increased by compensation paid under the SERP.

b) If, within a two-year period after a Change of Control, the Company (or any successor) terminates Executive's employment for Cause (as defined in paragraph 7(b)(3), below, Executive will only be entitled to base salary earned and as yet unpaid through the effective date of termination and Executive's vested Cash Balance and vested SERP Pension Benefits, UNLESS, (i) the Company exercises its discretion to award Executive (in addition to the aforementioned base salary and vested pension amounts) some portion of the following compensation, based on effort expended and results obtained to date and (ii) Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Up to but no more than Twelve months' Base Pay (as defined in paragraph 7(a) below); and

2) Up to but no more than One times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

3) Up to but no more than the amount of Incentive Pay as yet unpaid from the prior fiscal year.

c) The compensation payable under paragraphs 2(a) or 2(b), above, will be paid as soon as practicable after Executive signs, returns and does not revoke the requisite Release and Non-Competition Agreement.

d) In the event of a termination of Executive's employment under the circumstances described in paragraph 2(a) above:

1) All stock options previously awarded to Executive shall, to the extent not already vested, immediately vest, and shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All shares of restricted stock previously awarded to Executive shall, to the extent not already vested, immediately vest and be payable.

3) All outstanding but unearned performance shares shall be forfeited.

4) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued through the date of termination under any non-qualified deferred compensation plan or arrangement shall immediately vest and be payable, to the extent permissible under the terms of such plan or arrangement.

e) In the event of a termination of Executive's employment under the circumstances described in paragraph 2(b) above:

1) All stock options previously awarded to Executive which are exercisable on the date of termination shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All unvested shares of restricted stock and all outstanding but unearned performance shares previously awarded to Executive shall be forfeited.

3) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued and vested through the date of termination under any non-qualified deferred compensation plan or arrangement shall be payable, to the extent permissible under the terms of such plan or arrangement.

f) The Compensation Committee of the Board of Directors, in its sole discretion, may determine that no Change of Control or Potential Change of Control shall be deemed to have occurred with respect to any Executive who, in connection with a Change of Control or Potential Change of Control, acts in a capacity other than in their capacity as an employee of the Corporation, its subsidiaries or affiliates or otherwise fails to act in the Company's best interests with respect to said Change of Control.

3. Termination For Other Reasons. If Executive voluntarily terminates her employment (including by reason of retirement) other than as provided in paragraph 1(a) or 2(a) above, or if Executive's employment terminates due to death or Permanent Total Disability, Executive shall not be entitled to any benefits under this Agreement, but shall be entitled to any other benefits to which she is otherwise entitled under the terms of any employee benefit plans or arrangements of the Company.

4. Continuation of Insurance Benefits. In the event Executive's employment terminates under the circumstances described in paragraph 1(a) or 2(a) of this Agreement, the Company will continue Executive's participation and coverage for a period of two years (the "Severance Period") from Executive's last day of employment with the Company under all the Company's life, medical and dental plans ("Insurance Benefits"), in which Executive is participating immediately prior to such employment termination, subject to the Company's right to modify the terms of the plans or arrangements providing these benefits. If Executive is employed by another entity during the Severance Period, the Company will be a secondary obligor only with respect to medical and dental Insurance Benefits.

5. Non-Duplication of Benefits. Any compensation or benefits payable under the terms of this Agreement will be offset and not augmented by other compensation or benefits of the same or similar type payable under any existing plan or agreement of the Company or any other arrangement between Executive and the Company covering the Executive (including, but not limited to, any Company severance policy and the Company's Annual Incentive Plan). It is intended that this Agreement not duplicate benefits Executive is entitled to under the Company's regular severance policy, any related policies, or any other contracts, agreements or arrangements between Executive and the Company.

6. Term. This Agreement shall be effective from the date hereof throughout Executive's term of employment as an officer of the Company, but shall expire and be of no effect immediately after the second anniversary of a Change of Control.

7. Certain Defined Terms. As used herein, the following terms shall have the following meanings:

a) "Base Pay" shall mean the greater of the annual salary paid to Executive as of the date of termination of her employment or the date of the Change of Control, as the case may be, notwithstanding any pay reduction that may be related to a Constructive Termination.

b) "Cause" shall mean:

1) conviction of any felony or failure to contest prosecution for a felony; or

2) willful misconduct or dishonesty which is directly and materially harmful to the business or reputation of the Company; or

3) willful or continued failure to substantially perform her duties as an executive of the Company, other than as a result of total or partial incapacity due to physical or mental illness (abuse of alcohol, drugs or controlled substances not being considered a physical or mental illness for purposes of this paragraph), unless within three to six months after written notice has been provided to Executive by the Company, Executive cures such willful or continued failure to perform.

c) "Change of Control" shall mean:

1) the holders of the voting securities of the Company shall have approved a merger or consolidation of the Company with any other entity, unless the proposed merger or consolidation would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, where such merger or consolidation is, in fact, consummated;

2) a plan of complete liquidation of the Company shall have been adopted or the holders of voting securities of the Company shall have approved an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets;

3) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "1934 Act") shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 15% or more of the combined voting power of the Company's then outstanding shares;

4) during any period of two consecutive years, members who at the beginning of such period constituted the Board shall have ceased for any reason to constitute a majority thereof, unless the election, or nomination for election by the Company's stockholders, of each director shall have been approved by the vote of at least two-thirds of the directors then still in office and who were directors at the beginning of such period (so long as such director was not nominated by a person who has expressed an intent to effect a Change of Control or engage in a proxy or other control contest); or

5) the occurrence of any other change of control of a nature that would be required to be reported in accordance with Form 8-K pursuant to Sections 13 or 15(d) of the 1934 Act or in the Company's proxy statement in accordance with Schedule 14A of Regulation 14A promulgated under the 1934 Act, or in any successor forms or regulations to the same effect.

d) A "Constructive Termination" shall be deemed to have occurred only if:

1) prior to a Change of Control: Executive's Base Pay is reduced without her written consent; or

2) on or within a two-year period after a Change of Control: (A) Executive's Base Pay or annual incentive pay opportunity is reduced without her written consent; (B) Executive is required by the Company without her written consent to relocate to a new place of business that is more than fifty miles from Executive's place of business prior to the Change of Control (or the Company mandates a substantial increase in the amount of required business travel); or (C) there is a material adverse change in Executive's duties or responsibilities in comparison to the duties or responsibilities which Executive had prior to the Change of Control.

e) "Permanent Total Disability" shall be deemed to have occurred if, at the end of any month Executive then is, and has been, for eighteen (18) consecutive calendar months then ending, unable to perform her duties in the normal and regular manner due to mental or physical illness or injury. Any determination of such inability to perform shall be made by the Company in good faith.

f) "Separation Incentive Payment" shall be the greater of (i) Executive's average payments under the Company's normal, annual Corporate Incentive Plan (CIP) for the three years immediately preceding the year of termination (or annualized for such shorter period as Executive may have been employed by the Company), or (ii) one-half of Executive's average participating salary under such Plan for the three years immediately preceding the year of termination (or annualized for such shorter period as Executive may have been employed by the Company).

g) "Participating Salary" is the product of Executive's total base salary paid during any given incentive year, multiplied by Executive's incentive pay percentage, at maximum funding.

h) "Target Level Incentive" shall be the greater of (i) one-half of Executive's participating salary under the Company's Annual Incentive Plan for the year of termination, or (ii) the payment Executive would have received under such Plan for the year of termination based on projected corporate performance for such year as determined by the Committee in its sole discretion at the time of the Change of Control.

8. Outplacement Assistance. The Company will arrange outplacement assistance for Executive, to be provided by a mutually agreed-upon firm engaged in said business. Such assistance shall continue for up to one year following Executive's termination or until such time as suitable employment is attained, whichever is sooner. Outplacement costs incurred in this connection will be borne by the Company, but will not include costs of travel to/from the outplacement firm or in connection

with job interviews, etc. For up to six months following Executive's termination, the Company will also make available reasonable office space and administrative and communication services for Executive's use in seeking suitable employment. In no event will the Company pay Executive in lieu of outplacement assistance.

9. Confidentiality. Consistent with Executive's preexisting legal and contractual obligations and in exchange for the consideration provided by the Company in this Agreement and for Executive's continued employment and exposure to confidential information at the Company, Executive agrees to hold in strict confidence and not disclose to any other person any confidential or proprietary information of the Company, including, without limitation, trade secrets, formulas for Company products, production techniques or processes or methods and apparatus for producing any products of the Company, or other non-public information relating to the business, research and development, employees and/or customers of the Company and its subsidiaries and affiliates, except to the extent required by law, or with the written consent of the Company. Executive will, immediately on termination, deliver to the Company all files containing data, correspondence, books, notes, and other written, graphic or computer records under Executive's control relating to the Company or its subsidiaries or affiliates, regardless of the media in which they are embodied or contained.

10. Agreement Not To Compete. In exchange for the consideration provided by the Company in this Agreement as well as Executive's continued employment and exposure to confidential information at the Company, Executive agrees not to, directly or indirectly, for a period of two years following Executive's termination of employment, engage or participate in any business that is involved in research or development activities or in the manufacturing of any product which competes with any of the Company's products, except with the written consent of the Company. On termination, Executive agrees to execute a separate Release and Non-Competition Agreement in a form acceptable to the Company to memorialize this agreement and understands that the failure to do so will render Executive ineligible for any severance pay, benefits or privileges whatsoever.

11. Mutual Release and Indemnity. In the event of Executive's termination under circumstances described in paragraphs 1(a), 1(b), 2(a) or 2(b), the Company agrees to release and discharge Executive from any claim it may then or thereafter have against Executive with respect to employment with the Company or any of its subsidiaries or affiliates (other than with regard to Executive's obligations under this Agreement), and agrees to indemnify Executive in accordance with its then current policies or practices for active employees for any claims made against Executive by third parties arising out of the proper performance of Executive's duties as an employee of the Company or any of its subsidiaries or affiliates. In exchange for the consideration provided by the Company in this Agreement, together with the Company's release and indemnity, Executive agrees to release and discharge the Company, and its subsidiaries, affiliates, officers, directors, employees and agents (the "Released Persons") from any claim that Executive may then or thereafter have against the Company or such Released Persons (excluding any claim for the compensation, benefits and privileges described herein) arising out of or in connection with Executive's employment or termination of employment by the Company or any of its subsidiaries or affiliates. On termination, Executive agrees to execute a separate Release and Non-Competition Agreement in a form acceptable to the Company to memorialize this agreement and understands that the failure to do so will render Executive ineligible for any severance pay, benefits or privileges whatsoever.

12. Severability. Whenever possible each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provision or term, or the remaining provisions or terms of this Agreement.

13. Modification and Waiver of Breach. No waiver or modification of this Agreement shall be binding unless it is in writing, signed by the parties hereto. No waiver of a breach hereof shall be deemed to constitute a waiver of a further breach, whether of a similar or dissimilar nature.

14. Assignment. This Agreement shall be binding upon and inure to the benefit of any successors of the Company. As used herein, "successors" shall include any person, firm, corporation or other business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets or business of the Company.

15. Notice. Any written notice to be given hereunder to Executive may be delivered to her personally or shall be deemed to have been given upon deposit thereof in the U.S. mail, certified mail, postage prepaid, addressed to Executive at the address as it shall appear on the records of the Company.

16. Construction of Agreement. This Agreement is made and entered into in the State of Ohio and shall be construed under the laws of Ohio.

17. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to Executive's severance pay, benefits and privileges in the event of a termination of Executive's employment with the Company, superseding all negotiations, prior discussions and agreements, written or oral, concerning said severance arrangements. This Agreement may not be amended except in writing by the parties hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

OWENS CORNING,

Glen H. Hiner
Chairman and CEO

Agreed to and accepted:

____

Date: ________________

Exhibit 10

KEY MANAGEMENT SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is made as of November 24, 1998 by and between OWENS CORNING, a Delaware corporation (the "Company"), and Domenico Cecere, an officer of the Company ("Executive").

WHEREAS the Company and Executive have previously entered into a Severance Agreement dated as of April 4, 1997 (the "Prior Agreement") providing for certain benefits to be conferred upon Executive under specified circumstances in the event that Executive's employment is terminated by the Company on the terms and conditions set forth therein, and:

WHEREAS the Compensation Committee of the Board of Directors of the Company (the "Committee") has approved a new severance agreement to provide Executive with certain additional protections and to conform the terms of such agreement to the current policy of the Company regarding an officer's entitlement to pay, benefits and privileges on the termination of his employment;

NOW THEREFORE, the parties hereto agree as follows:

1. Termination Absent a Change of Control.

a) If, prior to a Change of Control (as defined in paragraph 7(c) below), (i) the Company terminates Executive's employment for any reason other than Permanent Total Disability or Cause (as defined in paragraphs 7(e) and 7(b)(1)&(2), respectively, below), or (ii) Executive voluntarily terminates his employment under circumstances involving a Constructive Termination (as defined in paragraph 7(d), below), Executive will be entitled to the following compensation, provided that Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Base salary earned and as yet unpaid through the effective

date of termination; and

2) Two years' Base Pay (as defined in paragraph 7(a) below); and

3) Two times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

4) Incentive Pay as yet unpaid from the prior fiscal year and Incentive Pay for the fiscal year of termination, prorated for the period of Executive's actual employment prior to termination; and

5) The greater of (i) Executive's vested Cash Balance Pension Benefit, or (ii) an amount equal to Executive's vested Pension Benefit under the Company's Salaried Employees' (Final Average) Retirement Plan plus a pension supplement calculated as though Executive had been credited with three additional years of service under that Plan and had Executive been three years older at the date of termination, or (iii) Executive's separately negotiated Pension Agreement amount, referenced in the December 9, 1997 letter (and attachment) from Glen Hiner, a copy of which is appended to this Agreement.

b) If, prior to a Change of Control, the Company terminates Executive's employment for Cause (as defined in paragraph 7(b)(3), below), Executive will only be entitled to base salary earned and as yet unpaid through the effective date of termination and Executive's vested Cash Balance Pension Benefit, or Executive's vested Final Average Plan Pension Benefit, or Executive's separately negotiated Pension Agreement amount, whichever is greater, UNLESS, (i) the Company exercises its discretion to award Executive (in addition to the aforementioned base salary and vested pension amounts) some portion of the following compensation, based on effort expended and results obtained to date and (ii) Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Up to but no more than Twelve months' Base Pay (as defined in paragraph 7(a) below); and

2) Up to but no more than One times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

3) Up to but no more than the amount of Incentive Pay as yet unpaid from the prior fiscal year.

c) The compensation payable under paragraph 1(a) or 1(b), above, shall be paid as soon as practicable after Executive signs, returns and does not revoke the requisite Release and Non-Competition Agreement.

d) In the event of a termination of Executive's employment under the circumstances described in paragraph 1(a) above:

1) All stock options previously awarded to Executive shall, to the extent not already vested, immediately vest, and shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All shares of restricted stock previously awarded to Executive shall, to the extent not already vested, immediately vest and be payable.

3) All outstanding but unearned performance shares shall be forfeited.

4) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued through the date of termination under any non-qualified deferred compensation plan or arrangement shall immediately vest and be payable, to the extent permissible under the terms of such plan or arrangement.

e) In the event of a termination of Executive's employment under the circumstances described in paragraph 1(b) above:

1) All stock options previously awarded to Executive which are exercisable on the date of termination shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All unvested shares of restricted stock and all outstanding but unearned performance shares previously awarded to Executive shall be forfeited.

3) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued and vested through the date of termination under any non-qualified deferred compensation plan or arrangement shall be payable, to the extent permissible under the terms of such plan or arrangement.

f) If Executive's employment ends under circumstances described in paragraph 1(a) above as a result of the sale by the Company of a business unit, division or facility, payments will be made under this paragraph 1 only if Executive is not offered a substantially equivalent position with the Company or with the new owner of the business (without regard to whether Executive accepts such a position). If Executive receives and accepts a suitable offer from the new owner of the business and is subsequently terminated within one year of the closing date of the sale under circumstances that would result in payment of benefits under this paragraph 1(a), Executive will be treated as though he had been terminated by the Company and receive the payments provided for in this Agreement, less any amounts or benefits provided by the new owner in connection with Executive's termination.

2. Termination On or After a Change of Control.

a) If, within a two-year period after a Change of Control, (i) the Company (or any successor) terminates Executive's employment for any reason other than Permanent Total Disability or Cause (as defined in paragraphs 7(e) and 7(b)(1)&(2), respectively, below), or (ii) Executive voluntarily terminates his employment under circumstances involving a Constructive Termination, Executive will be entitled to the following compensation, provided that Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Base salary earned and as yet unpaid through the effective date of termination; and

2) Two years' Base Pay; and

3) Two times Executive's Separation Incentive Payment; and

4) Incentive Pay as yet unpaid from the prior fiscal year and Target Level Incentive Pay (as defined in paragraph 7(h) below) for the fiscal year of termination, prorated for the period of Executive's actual employment prior to termination; and

5) The greater of (i) Executive's vested Cash Balance Pension Benefit, or (ii) an amount equal to Executive's vested Pension Benefit under the Company's Salaried Employees' (Final Average) Retirement Plan plus a pension supplement calculated as though Executive had been credited with three additional years of service under that Plan and had Executive been three years older at the date of termination, or (iii) Executive's separately negotiated Pension Agreement amount, referenced in the December 9, 1997 letter (and attachment) from Glen Hiner, a copy of which is appended to this Agreement.

b) If, within a two-year period after a Change of Control, the Company (or any successor) terminates Executive's employment for Cause (as defined in paragraph 7(b)(3), below), Executive will only be entitled to base salary earned and as yet unpaid through the effective date of termination and Executive's vested Cash Balance Pension Benefit, or Executive's vested Final Average Plan Pension Benefit, or Executive's separately negotiated Pension Agreement amount, whichever is greater, UNLESS, (i) the Company exercises its discretion to award Executive (in addition to the aforementioned base salary and vested pension amounts) some portion of the following compensation, based on effort expended and results obtained to date and (ii) Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Up to but no more than Twelve months' Base Pay (as defined in paragraph 7(a) below); and

2) Up to but no more than One times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

3) Up to but no more than the amount of Incentive Pay as yet unpaid from the prior fiscal year.

c) The compensation payable under paragraphs 2(a) or 2(b), above, will be paid as soon as practicable after Executive signs, returns and does not revoke the requisite Release and Non-Competition Agreement.

d) In the event of a termination of Executive's employment under the circumstances described in paragraph 2(a) above:

1) All stock options previously awarded to Executive shall, to the extent not already vested, immediately vest, and shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All shares of restricted stock previously awarded to Executive shall, to the extent not already vested, immediately vest and be payable.

3) All outstanding but unearned performance shares shall be forfeited.

4) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued through the date of termination under any non-qualified deferred compensation plan or arrangement shall immediately vest and be payable, to the extent permissible under the terms of such plan or arrangement.

e) In the event of a termination of Executive's employment under the circumstances described in paragraph 2(b) above:

1) All stock options previously awarded to Executive which are exercisable on the date of termination shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All unvested shares of restricted stock and all outstanding but unearned performance shares previously awarded to Executive shall be forfeited.

3) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued and vested through the date of termination under any non-qualified deferred compensation plan or arrangement shall be payable, to the extent permissible under the terms of such plan or arrangement.

f) The Compensation Committee of the Board of Directors, in its sole discretion, may determine that no Change of Control or Potential Change of Control shall be deemed to have occurred with respect to any Executive who, in connection with a Change of Control or Potential Change of Control, acts in a capacity other than in their capacity as an employee of the Corporation, its subsidiaries or affiliates or otherwise fails to act in the Company's best interests with respect to said Change of Control.

3. Termination For Other Reasons. If Executive voluntarily terminates his employment (including by reason of retirement) other than as provided in paragraph 1(a) or 2(a) above, or if Executive's employment is terminated due to death or Permanent Total Disability, Executive shall not be entitled to any benefits under this Agreement, but shall be entitled to any other benefits to which he is otherwise entitled under the terms of any employee benefit plans or arrangements of the Company.

4. Continuation of Insurance Benefits. In the event Executive's employment terminates under the circumstances described in paragraph 1(a) or 2(a) of this Agreement, the Company will continue Executive's participation and coverage for a period of two years (the "Severance Period") from Executive's last day of employment with the Company under all the Company's life, medical and dental plans ("Insurance Benefits"), in which Executive is participating immediately prior to such employment termination, subject to the Company's right to modify the terms of the plans or arrangements providing these benefits. If Executive is employed by another entity during the Severance Period, the Company will be a secondary obligor only with respect to medical and dental Insurance Benefits and life insurance coverage shall immediately cease.

5. Non-Duplication of Benefits. Any compensation or benefits payable under the terms of this Agreement will be offset and not augmented by other compensation or benefits of the same or similar type payable under any existing plan or agreement of the Company or any other arrangement between Executive and the Company covering the Executive (including, but not limited to, any Company severance policy and the Company's Annual Incentive Plan). It is intended that this Agreement not duplicate benefits Executive is entitled to under the Company's regular severance policy, any related policies, or any other contracts, agreements or arrangements between Executive and the Company.

6. Term. This Agreement shall be effective from the date hereof throughout Executive's term of employment as an officer of the Company, but shall expire and be of no effect immediately after the second anniversary of a Change of Control.

7. Certain Defined Terms. As used herein, the following terms shall have the following meanings:

a) "Base Pay" shall mean the greater of the annual salary paid to Executive as of the date of termination of his employment or the date of the Change of Control, as the case may be, notwithstanding any pay reduction that may be related to a Constructive Termination.

b) "Cause" shall mean:

1) conviction of any felony or failure to contest prosecution for a felony; or

2) willful misconduct or dishonesty which is directly and materially harmful to the business or reputation of the Company; or

3) willful or continued failure to substantially perform his duties as an executive of the Company, other than as a result of total or partial incapacity due to physical or mental illness (abuse of alcohol, drugs or controlled substances not being considered a physical or mental illness for purposes of this paragraph), unless within three to six months after written notice has been provided to Executive by the Company, Executive cures such willful or continued failure to perform.

c) "Change of Control" shall mean:

1) the holders of the voting securities of the Company shall have approved a merger or consolidation of the Company with any other entity, unless the proposed merger or consolidation would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, where such merger or consolidation is, in fact, consummated;

2) a plan of complete liquidation of the Company shall have been adopted or the holders of voting securities of the Company shall have approved an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets;

3) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "1934 Act") shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 15% or more of the combined voting power of the Company's then outstanding shares;

4) during any period of two consecutive years, members who at the beginning of such period constituted the Board shall have ceased for any reason to constitute a majority thereof, unless the election, or nomination for election by the Company's stockholders, of each director shall have been approved by the vote of at least two-thirds of the directors then still in office and who were directors at the beginning of such period (so long as such director was not nominated by a person who has expressed an intent to effect a Change of Control or engage in a proxy or other control contest); or

5) the occurrence of any other change of control of a nature that would be required to be reported in accordance with Form 8-K pursuant to Sections 13 or 15(d) of the 1934 Act or in the Company's proxy statement in accordance with Schedule 14A of Regulation 14A promulgated under the 1934 Act, or in any successor forms or regulations to the same effect.

d) A "Constructive Termination" shall be deemed to have occurred only if:

1) prior to a Change of Control: Executive's Base Pay is reduced without his written consent; or

2) on or within a two-year period after a Change of Control: (A) Executive's Base Pay or annual incentive pay opportunity is reduced without his written consent; (B) Executive is required by

the Company without his written consent to relocate to a new place of business that is more than fifty miles from Executive's place of business prior to the Change of Control (or the Company mandates a substantial increase in the amount of required business travel); or (C) there is a material adverse change in Executive's duties or responsibilities in comparison to the duties or responsibilities which Executive had prior to the Change of Control.

e) "Permanent Total Disability" shall be deemed to have occurred if, at the end of any month Executive then is, and has been, for eighteen (18) consecutive calendar months then ending, unable to perform his duties in the normal and regular manner due to mental or physical illness or injury. Any determination of such inability to perform shall be made by the Company in good faith.

f) "Separation Incentive Payment" shall be the greater of (i) Executive's average payments under the Company's normal, annual Corporate Incentive Plan (CIP) for the three years immediately preceding the year of termination (or annualized for such shorter period as Executive may have been employed by the Company), or (ii) one-half of Executive's average participating salary under such Plan for the three years immediately preceding the year of termination (or annualized for such shorter period as Executive may have been employed by the Company).

g) "Participating Salary" is the product of Executive's total base salary paid during any given incentive year, multiplied by Executive's incentive pay percentage, at maximum funding.

h) "Target Level Incentive" shall be the greater of (i) one-half of Executive's participating salary under the Company's Annual Incentive Plan for the year of termination, or (ii) the payment Executive would have received under such Plan for the year of termination based on projected corporate performance for such year as determined by the Committee in its sole discretion at the time of the Change of Control.

8. Outplacement Assistance. The Company will arrange outplacement assistance for Executive, to be provided by a mutually agreed-upon firm engaged in said business. Such assistance shall continue for up to one year following Executive's termination or until such time as suitable employment is attained, whichever is sooner. Outplacement costs incurred in this connection will be borne by the Company, but will not include costs of travel to/from the outplacement firm or in connection with job interviews, etc. For up to six months following Executive's termination, the Company will also make available reasonable office space and administrative and communication services for Executive's use in seeking suitable employment. In no event will the Company pay Executive in lieu of outplacement assistance.

9. Confidentiality. Consistent with Executive's preexisting legal and contractual obligations and in exchange for the consideration provided by the Company in this Agreement and for Executive's continued employment and exposure to confidential information at the Company, Executive agrees to hold in strict confidence and not disclose to any other person any confidential or proprietary information of the Company, including, without limitation, trade secrets, formulas for Company products, production techniques or processes or methods and apparatus for producing any products of the Company, or other non-public information relating to the business, research and development, employees and/or customers of the Company and its subsidiaries and affiliates, except to the extent required by law, or with the written consent of the Company. Executive will, immediately on termination, deliver to the Company all files containing data, correspondence, books, notes, and other written, graphic or computer records under Executive's control relating to the Company or its subsidiaries or affiliates, regardless of the media in which they are embodied or contained.

10. Agreement Not To Compete. In exchange for the consideration provided by the Company in this Agreement as well as Executive's continued employment and exposure to confidential information at the Company, Executive agrees not to, directly or indirectly, for a period of two years following Executive's termination of employment, engage or participate in any business that is involved in research or development activities or in the manufacturing of any product which competes with any of the Company's products, except with the written consent of the Company. On termination, Executive agrees to execute a separate Release and Non-Competition Agreement in a form acceptable to the Company to memorialize this agreement and understands that the failure to do so will render Executive ineligible for any severance pay, benefits or privileges

whatsoever.

11. Mutual Release and Indemnity. In the event of Executive's termination under circumstances described in paragraphs 1(a), 1(b), 2(a) or 2(b), the Company agrees to release and discharge Executive from any claim it may then or thereafter have against Executive with respect to employment with the Company or any of its subsidiaries or affiliates (other than with regard to Executive's obligations under this Agreement), and agrees to indemnify Executive in accordance with its then current policies or practices for active employees for any claims made against Executive by third parties arising out of the proper performance of Executive's duties as an employee of the Company or any of its subsidiaries or affiliates. In exchange for the consideration provided by the Company in this Agreement, together with the Company's release and indemnity, Executive agrees to release and discharge the Company, and its subsidiaries, affiliates, officers, directors, employees and agents (the "Released Persons") from any claim that Executive may then or thereafter have against the Company or such Released Persons (excluding any claim for the compensation, benefits and privileges described herein) arising out of or in connection with Executive's employment or termination of employment by the Company or any of its subsidiaries or affiliates. On termination, Executive agrees to execute a separate Release and Non-Competition Agreement in a form acceptable to the Company to memorialize this agreement and understands that the failure to do so will render Executive ineligible for any severance pay, benefits or privileges whatsoever.

12. Severability. Whenever possible each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provision or term, or the remaining provisions or terms of this Agreement.

13. Modification and Waiver of Breach. No waiver or modification of this Agreement shall be binding unless it is in writing, signed by the parties hereto. No waiver of a breach hereof shall be deemed to constitute a waiver of a further breach, whether of a similar or dissimilar nature.

14. Assignment. This Agreement shall be binding upon and inure to the benefit of any successors of the Company. As used herein, "successors" shall include any person, firm, corporation or other business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets or business of the Company.

15. Notice. Any written notice to be given hereunder to Executive may be delivered to him personally or shall be deemed to have been given upon deposit thereof in the U.S. mail, certified mail, postage prepaid, addressed to Executive at the address as it shall appear on the records of the Company.

16. Construction of Agreement. This Agreement is made and entered into in the State of Ohio and shall be construed under the laws of Ohio.

17. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to Executive's severance pay, benefits and privileges in the event of a termination of Executive's employment with the Company, superseding all negotiations, prior discussions and agreements, written or oral, concerning said severance arrangements. This Agreement may not be amended except in writing by the parties hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

OWENS CORNING,

Glen H. Hiner
Chairman and CEO

Agreed to and accepted:

Date: ______________

Exhibit 10

KEY MANAGEMENT SEVERANCE AGREEMENT

This Severance Agreement (the "Agreement") is made as of November 24, 1998 by and between OWENS CORNING, a Delaware corporation (the "Company"), and J. Thurston Roach, an officer of the Company ("Executive").

WHEREAS the Compensation Committee of the Board of Directors of the Company (the "Committee") has approved a severance agreement to provide Executive with certain protections and to conform the terms of such agreement to the current policy of the Company regarding an officer's entitlement to pay, benefits and privileges on the termination of his employment;

NOW THEREFORE, the parties hereto agree as follows:

1. Termination Absent a Change of Control.

a) If, prior to a Change of Control (as defined in paragraph 7(c) below), (i) the Company terminates Executive's employment for any reason other than Permanent Total Disability or Cause (as defined in paragraphs 7(e) and 7(b)(1)&(2), respectively, below), or (ii) Executive voluntarily terminates his employment under circumstances involving a Constructive Termination (as defined in paragraph 7(d), below), Executive will be entitled to the following compensation, provided that Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Base salary earned and as yet unpaid through the effective date of termination; and

2) Two years' Base Pay (as defined in paragraph 7(a) below); and

3) Two times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

4) Incentive Pay as yet unpaid from the prior fiscal year and Incentive Pay for the fiscal year of termination, prorated for the period of Executive's actual employment prior to termination; and

5) Executive's vested Cash Balance Pension Benefit.

b) If, prior to a Change of Control, the Company terminates Executive's employment for Cause (as defined in paragraph 7(b)(3), below), Executive will only be entitled to base salary earned and as yet unpaid through the effective date of termination and Executive's vested Cash Balance Pension Benefit UNLESS, (i) the Company exercises its discretion to award Executive (in addition to the aforementioned base salary and vested pension amounts) some portion of the following compensation, based on effort expended and results obtained to date and (ii) Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Up to but no more than Twelve months' Base Pay (as defined in paragraph 7(a) below); and

2) Up to but no more than One times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

3) Up to but no more than the amount of Incentive Pay as yet unpaid from the prior fiscal year.

c) The compensation payable under paragraph 1(a) or 1(b), above, shall be paid as soon as practicable after Executive signs, returns and does not revoke the requisite Release and Non-Competition Agreement.

d) In the event of a termination of Executive's employment under the circumstances described in paragraph 1(a) above:

1) All stock options previously awarded to Executive shall, to the extent not already vested, immediately vest, and shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All shares of restricted stock previously awarded to Executive shall, to the extent not already vested, immediately vest and be payable.

3) All outstanding but unearned performance shares shall be forfeited.

4) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued through the date of termination under any non-qualified deferred compensation plan or arrangement shall immediately vest and be payable, to the extent permissible under the terms of such plan or arrangement.

e) In the event of a termination of Executive's employment under the circumstances described in paragraph 1(b) above:

1) All stock options previously awarded to Executive which are exercisable on the date of termination shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All unvested shares of restricted stock and all outstanding but unearned performance shares previously awarded to Executive shall be forfeited.

3) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued and vested through the date of termination under any non-qualified deferred compensation plan or arrangement shall be payable, to the extent permissible under the terms of such plan or arrangement.

f) If Executive's employment ends under circumstances described in paragraph 1(a) above as a result of the sale by the Company of a business unit, division or facility, payments will be made under this paragraph 1 only if Executive is not offered a substantially equivalent position with the Company or with the new owner of the business (without regard to whether Executive accepts such a position). If Executive receives and accepts a suitable offer from the new owner of the business and is subsequently terminated within one year of the closing date of the sale under circumstances that would result in payment of benefits under this paragraph 1(a), Executive will be treated as though he had been terminated by the Company and receive the payments provided for in this Agreement, less any amounts or benefits provided by the new owner in connection with Executive's termination.

2. Termination On or After a Change of Control.

a) If, within a two-year period after a Change of Control, (i) the Company (or any successor) terminates Executive's employment for any reason other than Permanent Total Disability or Cause (as defined in paragraphs 7(e) and 7(b)(1)&(2), respectively, below), or (ii) Executive voluntarily terminates his employment under circumstances involving a Constructive Termination, Executive will be entitled to the following compensation, provided that Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Base salary earned and as yet unpaid through the effective date of termination; and

2) Two years' Base Pay; and

3) Two times Executive's Separation Incentive Payment; and

4) Incentive Pay as yet unpaid from the prior fiscal year and Target Level Incentive Pay (as defined in paragraph 7(h) below) for the fiscal year of termination, prorated for the period of Executive's actual employment prior to termination; and

5) Executive's vested Cash Balance Pension Benefit.

b) If, within a two-year period after a Change of Control, the Company (or any successor) terminates Executive's employment for Cause (as defined in paragraph 7(b)(3), below, Executive will only be entitled to base salary earned and as yet unpaid through the effective date of termination and Executive's vested Cash Balance Pension Benefit UNLESS, (i) the Company exercises its discretion to award Executive (in addition to the aforementioned base salary and vested pension amounts) some portion of the following compensation, based on effort expended and results obtained to date and (ii) Executive executes a Release and Non-Competition Agreement satisfactory to the Company:

1) Up to but no more than Twelve months' Base Pay (as defined in paragraph 7(a) below); and

2) Up to but no more than One times Executive's Separation Incentive Payment (as defined in paragraph 7(f) below); and

3) Up to but no more than the amount of Incentive Pay as yet unpaid from the prior fiscal year.

c) The compensation payable under paragraphs 2(a) or 2(b), above, will be paid as soon as practicable after Executive signs, returns and does not revoke the requisite Release and Non-Competition Agreement.

d) In the event of a termination of Executive's employment under the circumstances described in paragraph 2(a) above:

1) All stock options previously awarded to Executive shall, to the extent not already vested, immediately vest, and shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All shares of restricted stock previously awarded to Executive shall, to the extent not already vested, immediately vest and be payable.

3) All outstanding but unearned performance shares shall be forfeited.

4) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued through the date of termination under any non-qualified deferred compensation plan or arrangement shall immediately vest and be payable, to the extent permissible under the terms of such plan or arrangement.

e) In the event of a termination of Executive's employment under the circumstances described in paragraph 2(b) above:

1) All stock options previously awarded to Executive which are exercisable on the date of termination shall be exercisable (subject to applicable blackout restrictions) for up to six months following the date of termination or the original expiration date, whichever is sooner.

2) All unvested shares of restricted stock and all outstanding but unearned performance shares previously awarded to Executive shall be forfeited.

3) All of Executive's non-qualified deferred compensation or retirement benefits, if any, accrued and vested through the date of termination under any non-qualified deferred compensation plan or arrangement shall be payable, to the extent permissible under the terms of such plan or arrangement.

f) The Compensation Committee of the Board of Directors, in its sole discretion, may determine that no Change of Control or Potential Change of Control shall be deemed to have occurred with respect to any Executive who, in connection with a Change of Control or Potential Change of Control, acts in a capacity other than in their capacity as an employee of the Corporation, its subsidiaries or affiliates or otherwise fails to act in the Company's best interests with respect to said Change of Control.

3. Termination For Other Reasons. If Executive voluntarily terminates his employment (including by reason of retirement) other than as provided in paragraph 1(a) or 2(a) above, or if Executive's employment terminates due to death or Permanent Total Disability, Executive shall not be entitled to any benefits under this Agreement, but shall be entitled to any other benefits to which he is otherwise entitled under the terms of any employee benefit plans or arrangements of the Company.

4. Continuation of Insurance Benefits. In the event Executive's employment terminates under the circumstances described in paragraph 1(a) or 2(a) of this Agreement, the Company will continue Executive's participation and coverage for a period of two years (the "Severance Period") from Executive's last day of employment with the Company under all the Company's life, medical and dental plans ("Insurance Benefits"), in which Executive is participating immediately prior to such employment termination, subject to the Company's right to modify the terms of the plans or arrangements providing these benefits. If Executive is employed by another entity during the Severance Period, the Company will be a secondary obligor only with respect to medical and dental

Insurance Benefits.

5. Non-Duplication of Benefits. Any compensation or benefits payable under the terms of this Agreement will be offset and not augmented by other compensation or benefits of the same or similar type payable under any existing plan or agreement of the Company or any other arrangement between Executive and the Company covering the Executive (including, but not limited to, any Company severance policy and the Company's Annual Incentive Plan). It is intended that this Agreement not duplicate benefits Executive is entitled to under the Company's regular severance policy, any related policies, or any other contracts, agreements or arrangements between Executive and the Company.

6. Term. This Agreement shall be effective from the date hereof throughout Executive's term of employment as an officer of the Company, but shall expire and be of no effect immediately after the second anniversary of a Change of Control.

7. Certain Defined Terms. As used herein, the following terms shall have the following meanings:

a) "Base Pay" shall mean the greater of the annual salary paid to Executive as of the date of termination of his employment or the date of the Change of Control, as the case may be, notwithstanding any pay reduction that may be related to a Constructive Termination.

b) "Cause" shall mean:

1) conviction of any felony or failure to contest prosecution for a felony; or

2) willful misconduct or dishonesty which is directly and materially harmful to the business or reputation of the Company; or

3) willful or continued failure to substantially perform his duties as an executive of the Company, other than as a result of total or partial incapacity due to physical or mental illness (abuse of alcohol, drugs or controlled substances not being considered a physical or mental illness for purposes of this paragraph), unless within three to six months after written notice has been provided to Executive by the Company, Executive cures such willful or continued failure to perform.

c) "Change of Control" shall mean:

1) the holders of the voting securities of the Company shall have approved a merger or consolidation of the Company with any other entity, unless the proposed merger or consolidation would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, where such merger or consolidation is, in fact, consummated;

2) a plan of complete liquidation of the Company shall have been adopted or the holders of voting securities of the Company shall have approved an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets;

3) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "1934 Act") shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 15% or more of the combined voting power of the Company's then outstanding shares;

4) during any period of two consecutive years, members who at the beginning of such period constituted the Board shall have ceased for any reason to constitute a majority thereof, unless the election, or nomination for election by the Company's stockholders, of each director shall have been approved by the vote of at least two-thirds of the directors then still in office and who were directors at the beginning of such period (so long as such director was not nominated by a person who has expressed an intent to effect a Change of Control or engage in a proxy or other control contest); or

5) the occurrence of any other change of control of a nature

that would be required to be reported in accordance with Form 8-K pursuant to Sections 13 or 15(d) of the 1934 Act or in the Company's proxy statement in accordance with Schedule 14A of Regulation 14A promulgated under the 1934 Act, or in any successor forms or regulations to the same effect.

d) A "Constructive Termination" shall be deemed to have occurred only if:

1) prior to a Change of Control: Executive's Base Pay is reduced without his written consent; or

2) on or within a two-year period after a Change of Control: (A) Executive's Base Pay or annual incentive pay opportunity is reduced without his written consent; (B) Executive is required by the Company without his written consent to relocate to a new place of business that is more than fifty miles from Executive's place of business prior to the Change of Control (or the Company mandates a substantial increase in the amount of required business travel); or (C) there is a material adverse change in Executive's duties or responsibilities in comparison to the duties or responsibilities which Executive had prior to the Change of Control.

e) "Permanent Total Disability" shall be deemed to have occurred if, at the end of any month Executive then is, and has been, for eighteen (18) consecutive calendar months then ending, unable to perform his duties in the normal and regular manner due to mental or physical illness or injury. Any determination of such inability to perform shall be made by the Company in good faith.

f) "Separation Incentive Payment" shall be the greater of (i) Executive's average payments under the Company's normal, annual Corporate Incentive Plan (CIP) for the three years immediately preceding the year of termination (or annualized for such shorter period as Executive may have been employed by the Company), or (ii) one-half of Executive's average participating salary under such Plan for the three years immediately preceding the year of termination (or annualized for such shorter period as Executive may have been employed by the Company).

g) "Participating Salary" is the product of Executive's total base salary paid during any given incentive year, multiplied by Executive's incentive pay percentage, at maximum funding.

h) "Target Level Incentive" shall be the greater of (i) one-half of Executive's participating salary under the Company's Annual Incentive Plan for the year of termination, or (ii) the payment Executive would have received under such Plan for the year of termination based on projected corporate performance for such year as determined by the Committee in its sole discretion at the time of the Change of Control.

8. Outplacement Assistance. The Company will arrange outplacement assistance for Executive, to be provided by a mutually agreed-upon firm engaged in said business. Such assistance shall continue for up to one year following Executive's termination or until such time as suitable employment is attained, whichever is sooner. Outplacement costs incurred in this connection will be borne by the Company, but will not include costs of travel to/from the outplacement firm or in connection with job interviews, etc. For up to six months following Executive's termination, the Company will also make available reasonable office space and administrative and communication services for Executive's use in seeking suitable employment. In no event will the Company pay Executive in lieu of outplacement assistance.

9. Confidentiality. Consistent with Executive's preexisting legal and contractual obligations and in exchange for the consideration provided by the Company in this Agreement and for Executive's continued employment and exposure to confidential information at the Company, Executive agrees to hold in strict confidence and not disclose to any other person any confidential or proprietary information of the Company, including, without limitation, trade secrets, formulas for Company products, production techniques or processes or methods and apparatus for producing any products of the Company, or other non-public information relating to the business, research and development, employees and/or customers of the Company and its subsidiaries and affiliates, except to the extent required by law, or with the written consent of the Company. Executive will, immediately on termination, deliver to the Company all files containing data, correspondence, books, notes, and other written, graphic or computer records under Executive's control relating to the Company

or its subsidiaries or affiliates, regardless of the media in which they are embodied or contained.

10. Agreement Not To Compete. In exchange for the consideration provided by the Company in this Agreement as well as Executive's continued employment and exposure to confidential information at the Company, Executive agrees not to, directly or indirectly, for a period of two years following Executive's termination of employment, engage or participate in any business that is involved in research or development activities or in the manufacturing of any product which competes with any of the Company's products, except with the written consent of the Company. On termination, Executive agrees to execute a separate Release and Non-Competition Agreement in a form acceptable to the Company to memorialize this agreement and understands that the failure to do so will render Executive ineligible for any severance pay, benefits or privileges whatsoever.

11. Mutual Release and Indemnity. In the event of Executive's termination under circumstances described in paragraphs 1(a), 1(b), 2(a) or 2(b), the Company agrees to release and discharge Executive from any claim it may then or thereafter have against Executive with respect to employment with the Company or any of its subsidiaries or affiliates (other than with regard to Executive's obligations under this Agreement), and agrees to indemnify Executive in accordance with its then current policies or practices for active employees for any claims made against Executive by third parties arising out of the proper performance of Executive's duties as an employee of the Company or any of its subsidiaries or affiliates. In exchange for the consideration provided by the Company in this Agreement, together with the Company's release and indemnity, Executive agrees to release and discharge the Company, and its subsidiaries, affiliates, officers, directors, employees and agents (the "Released Persons") from any claim that Executive may then or thereafter have against the Company or such Released Persons (excluding any claim for the compensation, benefits and privileges described herein) arising out of or in connection with Executive's employment or termination of employment by the Company or any of its subsidiaries or affiliates. On termination, Executive agrees to execute a separate Release and Non-Competition Agreement in a form acceptable to the Company to memorialize this agreement and understands that the failure to do so will render Executive ineligible for any severance pay, benefits or privileges whatsoever.

12. Severability. Whenever possible each provision and term of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision or term of this Agreement shall be held to be prohibited by or invalid under such applicable law, then such provision or term shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or affecting in any manner whatsoever the remainder of such provision or term, or the remaining provisions or terms of this Agreement.

13. Modification and Waiver of Breach. No waiver or modification of this Agreement shall be binding unless it is in writing, signed by the parties hereto. No waiver of a breach hereof shall be deemed to constitute a waiver of a further breach, whether of a similar or dissimilar nature.

14. Assignment. This Agreement shall be binding upon and inure to the benefit of any successors of the Company. As used herein, "successors" shall include any person, firm, corporation or other business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets or business of the Company.

15. Notice. Any written notice to be given hereunder to Executive may be delivered to him personally or shall be deemed to have been given upon deposit thereof in the U.S. mail, certified mail, postage prepaid, addressed to Executive at the address as it shall appear on the records of the Company.

16. Construction of Agreement. This Agreement is made and entered into in the State of Ohio and shall be construed under the laws of Ohio.

17. Entire Agreement. This Agreement constitutes the entire understanding between the parties with respect to Executive's severance pay, benefits and privileges in the event of a termination of Executive's employment with the Company, superseding all negotiations, prior discussions and agreements, written or oral, concerning said severance arrangements. This

Agreement may not be amended except in writing by the parties hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

OWENS CORNING,

Glen H. Hiner
Chairman and CEO

Agreed to and accepted:

____

Date: ______________

Exhibit 10

PERSONAL AND CONFIDENTIAL

December 23, 1997

Ms. Maura Abeln
Via Fax: (413) 442 - 6990

Dear Maura:

It is a pleasure for me to offer to you the position of Senior Vice President, General Counsel and Secretary of Owens Corning. The following letter will set forth the specifics of our offer to you:

1. BASE SALARY
Your annual base salary will be $375,000, subject to regular review by the Compensation Committee of the Board of Directors of Owens Corning.

You will also receive a signature bonus of $100,000 (net of taxes), which will be paid to you upon your first day of employment with Owens Corning.

2. PLACE OF EMPLOYMENT
Your primary place of employment will be the Owens Corning World Headquarters located in Toledo, Ohio. However, you may be required to travel to other locations as directed by Owens Corning, or as required by your position.

3. ANNUAL INCENTIVE
You will participate in the Owens Corning Annual Corporate Incentive Compensation Plan (CIP). Annual payouts under the CIP are presently based on three corporate performance criteria; earnings per share, cash flow and sales growth, as well as your individual performance. Your participation in the CIP will be 100% of your base salary and your target award will be 50% of base salary. We are guaranteeing a minimum gross payment of $300,000 for your first two (2) years of employment. Payment will be made in February of each year when annual incentive payments are paid. After that period of guarantee, Corporate business results and your individual performance will determine actual payments under the CIP. The general terms and measurements of the CIP will be communicated to you under separate cover.

4. EQUITY COMPENSATION
You will be awarded 3,000 shares of restricted stock. These Restricted Shares will vest assuming continuous employment, 50% on December 31, 1998 and 50% on December 31, 1999.

You will also be awarded 40,000 options to buy Owens Corning Stock. The exercise price of these options will be based on the closing price of Owens Corning stock on February 12, 1998, the date of our Board Compensation Committee meeting. Vesting on your options will be 1/3 each year beginning February 12, 1999.

As an officer of Owens Corning, you will be fully eligible to participate in our Long Term Performance Incentive Plan (LTPIP). The LTPIP consists of awards of stock options, restricted stock, and performance restricted stock. The Details of this plan, and your initial awards thereunder, are described below.

For the 1998-2000 LTPIP cycle, you will receive the following awards, with the date of grant as of the Compensation Committee Meeting which will occur on February 12, 1998:

- 12,000 Stock Options which vest one third each year for three years. The exercise price of these options will be based on the closing price of Owens Corning stock on the date the Compensation Committee approves all grants under the LTPIP, which is expected to be February 12, 1998.
- 3,500 Shares of Performance Restricted stock. These Performance shares will vest at the end of three years from the original grant date based upon the attainment of corporate objectives under the LTPIP.
- 1,700 Restricted Shares. These Restricted Shares will vest one-third each year, beginning on December 31, 1998, assuming your continuous employment with Owens Corning.

As an officer of Owens Corning, you will be subject to a Stock Ownership requirement of 20,000 shares. You will have five years to achieve this target.

5. EMPLOYEE BENEFITS

You will have four weeks of annual vacation with Owens Corning.

Upon your commencement of employment, you will be eligible for Owens Corning's benefit package, which includes a comprehensive health care plan, Savings and Profit Sharing (401(k)) Plan, Cash Balance Pension Plan, life insurance plan and both short-term and long term disability plans.

For purposes of your relocation to Toledo, Ohio, you will be treated as a transferring employee under the Owens Corning relocation program, which means we will purchase your home if you are unable to sell it. More specifics of our relocation program would be communicated upon acceptance of our offer.

6. OTHER PERQUISITES

You will be eligible for tax preparation/planning assistance, financial counseling, personal liability insurance and other benefits provided to Owens Corning officers. You will also be eligible for personal liability insurance and other benefits provided to Owens Corning officers. You will also be eligible for personal usage of the Owens Corning corporate aircraft in accordance with the Company's policies for similarly situated officers in effect from time to time.

7. SEVERANCE AGREEMENT

You will also have a severance agreement that provides two full years of income protection should it become necessary for you to leave the organization for reasons other than cause or voluntary resignation.

Maura, I am excited about the prospect of you joining the Owens Corning team. Please let me know if you have any questions, and return a signed copy of this letter to my attention at the above address.

Sincerely,

Glen H. Hiner

AGREED TO AND ACCEPTED:

Maura Abeln

Date

cc: Mr. Gregory Thomson

Exhibit 10

PERSONAL AND CONFIDENTIAL

February 3, 1998

Mr. John Thurston Roach
234 Maiden Lane East
Seattle, WA 98112

Dear Thurston:

It is a pleasure for me to offer to you the position of Senior Vice President and President, Americas Building Materials Systems Business of Owens Corning. You will be placed on Owens Corning's payroll as of February 16, 1998 and are expected to be in Toledo as of March 2. From February 16 to March 2, you will be visiting North American Building Material manufacturing facilities, distribution centers and operating offices. The following letter will set forth the specifics of our offer to you:

1. BASE SALARY
Your annual base salary will be $425,000, subject to regular review by the Compensation Committee of the Board of Directors of Owens Corning.

   You will also receive a signature bonus of $100,000 (gross), to aid with additional miscellaneous expenses associated with your acceptance of this job, which will be paid to you upon your first day of employment with Owens Corning.

2. PLACE OF EMPLOYMENT
Your primary place of employment will be the Owens Corning World Headquarters located in Toledo, Ohio. However, you may be required to travel to other locations as directed by Owens Corning, or as required by your position.

3. ANNUAL INCENTIVE
You will participate in the Owens Corning Annual Corporate Incentive Compensation Plan (CIP). Your participation in the CIP will be 110% of your base salary and your target award will be 55% of base salary. We are guaranteeing a minimum gross payment of $400,000 for incentive payments earned in 1998 and 1999, assuming a February start date. Payment will be made in February of each year when annual incentive payments are paid. After that period of guarantee, Corporate business results and your individual performance will determine actual payments under the CIP. The general terms and measurements of the CIP will be communicated to you under separate cover.

4. EQUITY COMPENSATION
You will be awarded 50,000 options to buy Owens Corning Stock. The exercise price of these options will be based on the closing price of Owens Corning stock on February 16, 1998, the date of your first day of employment with Owens Corning. Vesting on your options will be 1/3 each year beginning February 16, 1999.

   As an officer of Owens Corning, you will be fully eligible to participate in our Long Term Performance Incentive Plan (LTPIP). The LTPIP consists of awards of stock options, restricted stock, and performance restricted stock. The Details of this plan, and your initial awards thereunder, are described below.

   For the 1998-2000 LTPIP cycle, you will receive the following awards, with the date of approval as of the Compensation Committee Meeting which will occur on February 12, 1998:

   - 18,000 Stock Options which vest one third each year for three years. The exercise price of these options will be based on the closing price of Owens Corning stock on your first full day of employment with Owens Corning.

   - 3,000 Restricted Shares. These Restricted Shares will vest one-third each year, beginning at the end of your third complete year of continuous employment with Owens Corning.

- 6,000 Shares of Phantom Performance Restricted stock. These Performance shares will vest at the end of three years from the original grant date based upon the attainment of corporate objectives under the LTPIP.

As an officer of Owens Corning, you will be subject to a Stock Ownership requirement of 20,000 shares. You will have five years to achieve this target.

5. EMPLOYEE BENEFITS
You will have four weeks of annual vacation with Owens Corning.

Upon your commencement of employment, you will be eligible for Owens Corning's benefit package, which includes a comprehensive health care plan, Savings and Profit Sharing (401(k)) Plan, Cash Balance Pension Plan, life insurance plan and both short-term and long term disability plans.

For purposes of your relocation to Toledo, Ohio, you will be treated as a transferring employee under the Owens Corning relocation program. I have enclosed a summary of our Relocation Policy for your review.

6. OTHER PERQUISITES
You will be eligible for tax preparation/planning assistance, financial counseling, personal liability insurance and other benefits provided to Owens Corning officers. You will also be eligible for personal liability insurance and other benefits provided to Owens Corning officers. You will also be eligible for personal usage of the Owens Corning corporate aircraft in accordance with the Company's policies for similarly situated officers in effect from time to time.

7. SEVERANCE AGREEMENT
You will also have a severance agreement that provides two full years of income protection should it become necessary for you to leave the organization for reasons other than cause or voluntary resignation.

Thurston, I am excited about the prospect of you joining the Owens Corning team. Please let me know if you have any questions, and return a signed copy of this letter to my attention via fax at (419) 248-6352.

Sincerely,

Glen H. Hiner
Chairman and CEO

Enclosure

AGREED TO AND ACCEPTED:

John Thurston Roach

Date
Attachments:

- Transferring Homeowners Policy Summary
- Long-Term Performance Incentive Plan Summary

Exhibit 10

November 3, 1998

Mr. Charles H. Dana
xxxxxxxxxxxxxxxxxx
Perrysburg, OH 43551

RE: RELEASE AND SEPARATION AGREEMENT

Dear Charlie:

In accordance with our discussions concerning your retirement from Owens Corning (the "Company"), the following summarizes our agreement (the "Agreement") between yourself and the Company.

1. TERMINATION OF EMPLOYMENT

Your employment with the Company, its subsidiaries and other affiliates will terminate when you retire on December 31, 1998 (the "Termination Date"). You will receive your regular base salary through December 31, 1998. You will be eligible for an incentive payment under the Corporate Incentive Plan for 1998, as well as payments under any other annual incentive plan in which you were a participant during 1998. Payments under all incentive plans are subject to the attainment of specific Company performance goals and the discretion of the Chief Executive Officer. You are not eligible for 1999 incentive participation.

2. SEVERANCE BENEFITS

Consistent with the terms of your amended Key Management Severance Benefits Agreement dated January 27, 1992 (the "Severance Agreement"), you will receive an amount equal to twice your base salary in effect on the Termination Date. This amount is $730,000. You will also receive a bonus equivalent equal to the greater of the average of your three previous years' annual incentive payments, or one-half of your average annual incentive participating salary for the most recent three years, whichever is the greater. This amount is $419,333. These severance payments will be paid in a lump sum on or about January 15, 1999 and will be subject to applicable withholding requirements under Federal, state and local law.

3. HEALTH AND LIFE COVERAGE

In accordance with the terms of your Severance Agreement, you will continue to receive the same health care coverage (i.e., medical, dental, medical flexible spending account and employee assistance plan) for yourself and your eligible dependents that is provided to active salaried employees of the Company, at the same contribution rate applicable to such employees, through 12/31/01. Thereafter you will be eligible to participate in the same Owens Corning Retiree medical plan as other retirees, subject to changes in the plan. This period of coverage will count against any period of COBRA continuation health insurance coverage to which you may be entitled following the Termination Date. As such, you will automatically receive a COBRA notice and election form following the Termination Date, which you may ignore. You will also have the same life insurance protection in the amount of $50,000 through 12/31/01. Any change in active employee programs will also apply to you. The Rewards and Resources Department in Toledo will be sending information directly to you as to how your monthly contributions will be handled. In the event you secure other employment after the Termination Date, Owens Corning will be the secondary payer with respect to the benefits described above. You should contact CIGNA directly to discuss individual payment options for your Group Universal Life Insurance (1-800-xxxxxxxx).

4. SAVINGS & PROFIT SHARING PLAN

As of October 22, 1998, your total Owens Corning Savings and Profit Sharing Plan ("SPSP") account balance was $xxxxxxx. Any contributions made since that date and any change in the market value of your account will be reflected in your final payment, which will be made in accordance with the terms of the SPSP. All Company contributions through the Termination Date will be vested, but no further contributions may be made to SPSP by you or the Company after that date. Please note that under the terms of SPSP, you are not required to receive an immediate distribution of your account following the Termination Date. You should contact Fidelity Investments at 1-800-xxxxxxxx.

5. PENSION PLAN

As an employee with vested rights in the Owens Corning Merged Retirement Plan (the "Pension Plan"), you are entitled to a benefit under the Plan. The estimated lump-sum present value of your accrued benefit as of the Termination Date is $3,975,217. Due to maximums allowed under Pension law, it is estimated that $2,600,000 of this amount may be paid from the

Company's Executive Supplemental Benefit Plan (the "Supplemental Plan"). The payment from the Supplemental Plan will be made on or about January 15, 1999, and is taxable as ordinary income, and is subject to applicable Federal, state and local withholding requirements. The payment from the Supplemental Plan will be offset by amounts already set aside for you under the Company's Pension Preservation Trust (PPT), as well as interest payments made to you from the PPT. The estimated lump sum values shown above are based on the November, 1998 GATT interest rate of 5.20%. Your pension amounts will be recalculated using the December, 1998 GATT rate when it is known, or a later month if you choose to defer receipt of your retirement benefit. You will accrue no further benefits under the Pension Plan following the Termination Date. Payment of your benefits under these plans is governed by the terms thereof, and not this Agreement.

Please contact Rick Tober of the Rewards and Resources Department (xxxxxxxx) if you have any questions concerning your pension benefits.

6. PENSION SUPPLEMENT

As provided in your Severance Agreement, you will receive a supplemental pension payment in an amount equal to the present value of the additional benefit that you would have accrued under the Pension Plan had you been credited with an additional three years of service and age under the Pension Plan as of the Termination Date. This will result in an additional payment of $550,000. Your pension supplement, which will be paid by the Company in a lump sum on or about January 15, 1999, will be reduced by applicable withholding requirements under Federal, state and local law.

7. ADDITIONAL PAYMENTS

You will also receive a lump sum payment equivalent to one year's base pay and one year's target incentive award, totaling $565,750. This special payment will be paid on or about January 15, 1999, and will be reduced by applicable withholding requirements under Federal, state and local law.

Additionally, you will be paid for twenty-five (25 days) of accrued vacation for 1999 at the rate of $1,404.00 per day, reduced by applicable withholding requirements under Federal, state and local law.

Owens Corning will continue to provide you with financial and tax planning assistance for 1999, with reimbursed expenses for such purposes up to $7,500, reduced by applicable withholding requirements under Federal, state and local law.

8. EFFECT ON OTHER EMPLOYEE BENEFITS

Except as provided in this Agreement, you will not be permitted to participate in any of the Company's employee benefit plans, programs or arrangements after the Termination Date, including but not limited to the Corporate Incentive Plan.

9. COMPANY STOCK PLANS

The vesting of Stock Options which are unexercisable at your Termination Date will be accelerated to that date and your Stock Option shares will become 100% vested. Subject to applicable blackout requirements, you will have five (5) years following your separation date to exercise any vested options, or until the end of the option term, whichever is earlier.

[Table omitted]

Please call PaineWebber at 1-800-xxxxxxxx, for instructions on exercising your options and making the required tax payments.

Non-vested Restricted Shares will become vested as of your Termination Date:

[Table omitted]

You are eligible to receive a payout under Long Term Performance Incentive Plans for awards made under the 1996 - 1998 cycle, the 1997 - 1999 cycle, and the 1998 - 2000 cycle. Any payout will be made in February, 1999, February, 2000, and February 2001, respectively and will be based on Company performance for the applicable period. Any award under the 1997 - 1999 and the 1998 - 2000 Long-Term Plan will be prorated based on the number of months you participated in the Plan. All other awards and non-prorated portions thereof will be forfeited.

10. OUTSTANDING CHARGES

You are responsible for settling any outstanding charges against you, such as amounts charged to your corporate American Express card. If any of your American Express charges are business expenses, you will process a T&E form as soon as possible after the Termination Date. Your American Express card should be turned in as soon as possible after your termination date.

11. MUTUAL RELEASE AND INDEMNITY

The Company hereby releases and discharges you from any claim it may now or hereafter have against you with respect to your employment with the Company or any of its subsidiaries or affiliates (other than with respect to performance of your obligations under this Agreement), and agrees to indemnify you in accordance with its then current policy or practices for active employees for any claims made against you by third parties arising out of the proper performance of your duties as an employee of the Company or any of its subsidiaries or affiliates.

In consideration of the benefits conveyed to you pursuant to the terms of this Agreement, together with the Company's release and indemnity, you hereby fully and forever release and discharge the Company from any and all claims and actions, of every kind, nature and description, including by way of illustration and not limitation, any claim of discrimination, harassment or discriminatory treatment (including age, race, sex, marital status, national origin, disability or religious discrimination), including any claim under the Age Discrimination In Employment Act as amended, the Older Worker's Benefit Protection Act, breach of express or implied contract, wrongful or constructive discharge, interference with contract, breach of public or corporate policy, practice or procedure, negligence, violation of ERISA, loss of consortium, loss of pension or other fringe benefits, fraud, misrepresentation, defamation, libel, slander, intentional infliction of emotional distress, and/or all other claims or derivative claims of tortuous conduct, statutory or constitutional violation, or breach of contract, whether in law or equity, known or unknown, of every kind, nature and description, arising out of or in connection with any relationship, including but not limited to your employment and termination of employment with the Company, from the beginning of the world up to the date of the signing of this Agreement. This Agreement applies to the Company and all subsidiaries, affiliates, predecessors, successors, related entities, as well as past, present and future officers, directors, trustees, board members, employees, attorneys, agents and assigns of the Company. You understand that the failure to execute and return the separate Release attached hereto along with this Agreement will render this Agreement null, void and without effect.

12. CONFIDENTIALITY

You acknowledge that in the course of your employment with the Company, you acquired confidential and proprietary information regarding the Company's operations, business and practices and you understand and agree that you (a) will keep such information including all the Company files, information, and materials confidential at all times after your employment with the Company; (b) will not disclose or communicate the Company information to any person or persons unless first authorized in writing by the Company; and (c) will not make use of such information on your own behalf or on the behalf of any other person, persons or entities unless you first obtain authorization from the Company in writing. In view of the nature of your employment and the nature of the Company's information which you have received and generated during the course of your employment, you agree that any unauthorized disclosure to any person or persons of such Company information, or other violation or threatened violation of this Agreement would cause irreparable damage to the Company, and that, therefore, the Company shall be entitled to seek an appropriate injunction and legal remedies in a court of appropriate jurisdiction.

13. AGREEMENT NOT TO COMPETE

You agree that during the term of your employment and for a period of two years thereafter, you will not, directly or indirectly, engage in, be engaged by (including engagement for consulting or advising), provide services for or have any interest in, any other person, firm, corporation or entity which conducts any activity or makes any product competitive with the business of the Company (including without limitation research or development activities in any way relating to products which may compete with current or developmental products of the Company); provided however, that nothing contained herein shall restrict you from owning 1% or less of the corporate securities of any competitor of the Company where these securities are listed on any national securities exchange or traded actively in the national over-the-counter market, if you have no other connection or relationship with the issuer of such securities.

You recognize the broad scope of the foregoing covenants, but expressly agree that they are reasonable in light of the world-wide scope of the business conducted by the Company. If any court or tribunal of competent jurisdiction shall refuse to enforce the foregoing covenants because the time limit applicable thereto is deemed unreasonable, it is expressly understood and agreed that such covenants shall not be void, but that for the purpose of such proceedings and in such jurisdictions such time limitation shall be deemed to be reduced to the extent necessary to permit enforcement of the covenants. If any court or tribunal of competent jurisdiction shall refuse to enforce any or all of the foregoing covenants because they are more extensive (whether as to geography, the scope of business or otherwise) than is deemed reasonable, it is expressly understood and agreed between the parties hereto that such covenants shall not be void, but that for the purpose of such proceedings and in such jurisdictions, the restrictions contained herein (whether as to geography, the scope of business or otherwise) shall be deemed to be reduced to the extent necessary to permit enforcement of the covenants.

14. BUSINESS CONDUCT POLICY

You acknowledge that you are familiar with the terms of the Owens Corning Employee Business Conduct Policy and its Related Corporate Policies (including any laws applicable to the Company's activities) (collectively, the "Policies"), and that the terms of such Policies have been reviewed with you by a representative of the Company in connection with your termination of employment, and that, except as disclosed in writing to the undersigned prior to the date of your termination, you are not aware of any situation that might be viewed as a possible violation of the Policies. You understand that you will not suffer any form of retribution by the Company for reporting potential violations.

15. MISCELLANEOUS

Except to the extent that your rights to the payments and benefits described herein are governed by the terms of the Company's employee benefit plans, programs or arrangements, or by an agreement issued in accordance with the terms of such a plan, program or arrangement, or by the Severance Agreement, this Agreement embodies the entire agreement and understanding between you and the Company and supersedes all prior understandings between you and the Company relating to your employment by, and termination from, the Company. Neither this Agreement nor any term hereof may be changed, waived or terminated except by an instrument in writing signed by both parties hereto. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio.

If the foregoing is entirely satisfactory to you, please sign both the attached Waiver and Release and one copy of this letter in the place provided for your signature, and return them to me. As described in the Waiver and Release, this Agreement will become effective seven (7) days after your sign it, unless you should choose to revoke this Agreement within this seven (7) day period.

Sincerely,

OWENS CORNING

Glen H. Hiner
Chairman and Chief Executive Officer

ACCEPTED AND AGREED TO:

Charles H. Dana

Date:______________

Exhibit (23)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated January 25, 1999, included in Owens Corning's annual report on Form 10-K for the year ended December 31, 1998, into the Company's previously filed Registration Statements, File Nos. 33-9563, 33-9986, 33-9987, 33-18262, 33-20997, 33-27209, 33-31687, 33-48707, 33-57886, 33-60487, 333-09367, 333-24501, 333-48153 and 333-47961

ARTHUR ANDERSEN LLP

Toledo, Ohio
March 12, 1999

This schedule contains summary financial information extracted from SEC form 10-K and is qualified in its entirety by reference to such financial statements.