USG CORP
Form PREM14A
July 20, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under § 240.14a-12

USG CORPORATION

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

(1) Title of each class of securities to which transaction applies: USG Corporation Common Stock, par value $0.10 per share

(2) Aggregate number of securities to which this transaction applies: As of July 17, 2018, the maximum number of shares of common stock to which this transaction applies is estimated to be 143,727,808, which consists of (a) 124,759,621 shares of common stock outstanding, other than shares of common stock owned by Gebr. Knauf KG and its subsidiaries, entitled to receive the per share total consideration of $44.00, consisting of the per share closing consideration of $43.50 and the conditional special dividend of $0.50; (b) 14,757,258 shares of common stock owned by Gebr. Knauf KG and its subsidiaries, entitled to receive the conditional special dividend of $0.50; (c) 852,949 shares of common stock issuable pursuant to outstanding options with exercise prices below the per share closing consideration of $43.50; (d) 329,297 shares of common stock issuable pursuant to time-vesting restricted stock units entitled to receive the per share closing consideration of $43.50; (e) 2,072,733 shares of common stock representing market share units entitled to receive the per share closing consideration of $43.50 (which amount is determined by substituting the closing consideration for market value per share); (f) 716,886 shares of common stock representing performance share awards entitled to receive the per share closing consideration of $43.50 (which amount is determined by assuming the maximum performance goal is achieved); and (g) 239,064 shares of common stock representing deferred stock units entitled to receive the per share closing consideration of $43.50.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): Solely for the purpose of calculating the filing fee, the underlying value of the transaction was calculated based on the sum of (a) the product of 124,759,621 shares of common stock outstanding, other than shares of common stock owned by Gebr. Knauf KG and its subsidiaries, and the per share total consideration of $44.00, consisting of the per share closing consideration of $43.50 and the conditional special dividend of $0.50; (b) the product of 14,757,258 shares of common stock owned by Gebr. Knauf KG and its subsidiaries and the conditional special dividend of $0.50; (c) the product of (i) 852,949 shares of common stock issuable upon exercise of options to purchase shares of common stock and (ii) the difference between $44.00, consisting of the per share closing consideration of $43.50 and the make-whole dividend amount payment of $0.50, and the weighted average exercise price of such options of $13.53; and (d) the product of 3,357,980 shares of common stock representing each award of time-vesting restricted stock units, market share units, performance shares and deferred stock units and the per share total consideration of $44.00, consisting of the per share closing consideration of $43.50 and either the conditional special dividend or make-whole dividend amount payment, as applicable, of $0.50.

(4) Proposed maximum aggregate value of transaction: $5,670,542,429.03

(5) Total fee paid: $705,983

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION, DATED JULY 20, 2018

USG Corporation

550 West Adams Street

Chicago, Illinois 60661

Founded in 1902

[ ], 2018

Dear Fellow Stockholder:

It is a pleasure to invite you to attend a special meeting of the stockholders of USG Corporation (USG, we, our or the Company). The special meeting will be held at [ ] a.m., Chicago time, on [ ], 2018, at USG Corporate Headquarters, 550 West Adams Street, Chicago, Illinois 60661-3676. The attached notice of special meeting of stockholders and proxy statement discuss the items scheduled for a vote by stockholders at the meeting.

On June 10, 2018, we entered into an Agreement and Plan of Merger (as it may be amended from time to time, the merger agreement) with Gebr. Knauf KG, a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany (Knauf), and World Cup Acquisition Corporation, a Delaware corporation and an indirect, wholly-owned subsidiary of Knauf (Merger Sub), pursuant to which, subject to the satisfaction of customary closing conditions, Merger Sub will be merged with and into the Company (the merger), with the Company continuing as the surviving corporation in the merger and an indirect, wholly-owned subsidiary of Knauf.

At the special meeting, our stockholders will be asked to consider and vote on a proposal to adopt the merger agreement. In addition, our stockholders will be asked to consider and vote on a proposal to approve, on a non-binding, advisory basis, the compensation payments that will or may be paid or become payable to the Company s named executive officers and that are based on or otherwise relate to the merger and the agreements and understandings pursuant to which such compensation will or may be paid or become payable (the transaction-related named executive officer compensation). Finally, our stockholders will be asked to consider and vote on a proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum (the adjournment proposal).

If the merger agreement is adopted and the merger is completed, at the effective time of the merger, each share of our common stock, par value $0.10 per share (common stock) issued and outstanding immediately prior to the effective time of the merger (other than shares of our common stock owned by Knauf and its subsidiaries, the Company and its subsidiaries or excluded holders, as defined in the accompanying proxy statement) automatically will be converted into the right to receive the closing consideration of $43.50 in cash, without interest and subject to tax withholding as applicable (the closing consideration). In addition to the closing consideration, as contemplated in the merger agreement, the Company is expected to declare a conditional special cash dividend of $0.50 per share of our common stock (the conditional special dividend) payable to holders of our common stock as of the record date of the special meeting (subject to due bill trading as further described in the accompanying proxy statement). The conditional

special dividend is conditioned on the merger agreement being adopted by our stockholders at the special meeting and would be paid following certification of the results of the special meeting. The payment of the conditional special dividend is not conditioned on completion of the merger. For discussion of the impact of the merger, including the closing

Table of Contents

consideration and the conditional special dividend, on each outstanding Company stock option, time-vesting restricted stock unit, market share unit, performance share and deferred stock unit, see the section entitled *The Merger Agreement Treatment of Company Equity Awards* in the accompanying proxy statement. The total consideration, consisting of the closing consideration and the conditional special dividend, of $44.00 per share of our common stock represents a premium of approximately 31% to our unaffected closing price of $33.51 and a 36% premium to the $32.36 average closing price for the preceding 12-month period, both as of March 23, 2018, the business day immediately prior to the public announcement of Knauf s proposal to acquire the Company.

Concurrently with the execution of the merger agreement, Berkshire Hathaway Inc., on behalf of itself and certain of its direct and indirect subsidiaries that own shares of our common stock (collectively, Berkshire), entered into a voting agreement, dated June 10, 2018, with Knauf and Merger Sub, in which Berkshire agreed, among other things and subject to the terms thereof, to vote (or cause to be voted) all shares of our common stock then beneficially owned by Berkshire, directly or indirectly, **FOR** adoption of the merger agreement, approval of the merger and the consummation of all of the transactions contemplated thereby and against any competing acquisition proposals relating to the Company. As provided in its Schedule 13D filed on June 11, 2018, Berkshire owns 43,387,980 shares of our common stock, which represents approximately 31.1% of the shares of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement. Pursuant to the merger agreement, Knauf has agreed to vote, or cause any of its applicable subsidiaries to vote, in person or by proxy, all shares of our common stock held by Knauf, directly or indirectly, as of the record date of the special meeting **FOR** adoption of the merger agreement, **FOR** approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation, and, as requested by the Company, any other action in furtherance thereof to be voted on by the holders of our common stock at the special meeting. As provided in its Schedule 13D filed on June 11, 2018, Knauf owns 14,757,258 shares of our common stock, which represents approximately 10.6% of the shares of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

The USG board of directors unanimously recommends our stockholders vote **FOR** adoption of the merger agreement, **FOR** approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation, and **FOR** the adjournment proposal.

The accompanying proxy statement describes the merger agreement, the merger, the conditional special dividend and related matters, and attaches a copy of the merger agreement. We urge stockholders to read the entire proxy statement carefully, as it sets forth details of the merger agreement and other important information related to the merger and the conditional special dividend.

Your vote is very important. Whether or not you expect to attend the special meeting, we encourage you to vote your shares of our common stock as promptly as possible to make certain that you are represented at the special meeting. You may vote over the Internet, as well as by telephone or by mailing a proxy card or voting instruction card. If you are a street name holder (a holder whose shares of our common stock are held through a broker, bank or other nominee), for your shares of our common stock to be represented at the special meeting, you must instruct your broker, bank or other nominee as to how to vote your shares of our common stock by following the directions provided to you by your broker, bank or other nominee. The merger cannot be completed unless holders of at least 80 percent of the outstanding shares of our common stock entitled to vote at the special meeting vote **FOR** adoption of the merger agreement. Therefore, your failure to vote, abstention or failure to instruct your broker, bank or other nominee to vote, will have the same effect as a vote **AGAINST** adoption of the merger agreement. Failures to vote, abstentions and failures to instruct your broker, bank or other nominee to vote, will have no effect on the other proposals to be considered at the special meeting.

If you have any questions or need assistance voting your shares of our common stock, please contact D.F. King & Co., Inc., our proxy solicitor, by calling toll-free at (866) 745-0273 or collect at (212) 269-5550.

Table of Contents

On behalf of the entire USG board of directors, we want to thank you for your continued support.

Sincerely,

[ ]	[ ]
Steven F. Leer	**Jennifer F. Scanlon**
Non-Executive Chairman of the USG Board of Directors	*President and Chief Executive Officer*

Neither the U.S. Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger, the merger agreement or the other transactions contemplated thereby or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated [ ], 2018 and is first being mailed to stockholders on or about [ ], 2018.

Table of Contents

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION, DATED JULY 20, 2018

USG CORPORATION

550 West Adams Street

Chicago, Illinois 60661

Notice of Special Meeting of Stockholders

To Be Held on [ ], 2018

WHEN

[ ], 2018 at [ ] a.m.,

Chicago Time

WHERE

USG Corporate Headquarters

550 West Adams Street

Chicago, Illinois 60661-3676

WHO CAN VOTE

Only stockholders of record at the close of business on [ ], 2018 will be entitled to vote at the special meeting, or any adjournment or postponement thereof (the special meeting).

ITEMS OF BUSINESS
At the special meeting, stockholders will be asked to consider and vote on the following proposals:

1. to adopt the Agreement and Plan of Merger, dated as of June 10, 2018 (as it may be amended from time to time, the merger agreement), by and among USG Corporation (the Company), Gebr. Knauf KG, a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany (Knauf), and World Cup Acquisition Corporation, a Delaware corporation and an indirect, wholly-owned subsidiary of Knauf (Merger Sub), pursuant to which, subject to the satisfaction of customary closing conditions, Merger Sub will be merged with and into the Company (the merger), with the Company continuing as the surviving corporation in the merger and an indirect, wholly-owned subsidiary of Knauf;

2. to approve, on a non-binding, advisory basis, the compensation payments that will or may be paid or become payable to the Company s named executive officers and that are based on or otherwise relate to the merger and the agreements and understandings pursuant to which such compensation will or may be paid or become payable (the transaction-related named executive officer compensation); and

3. to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum (the adjournment proposal).

Table of Contents

We will transact no other business at the special meeting except such business as may properly be brought before the special meeting. Please refer to the accompanying proxy statement for further information with respect to the business to be transacted at the special meeting. The accompanying proxy statement forms a part of this notice and is incorporated herein by reference.

RECOMMENDATION

After due consideration and discussion, the USG board of directors (the Board) unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approved and declared advisable the merger agreement and the completion by the Company of the transactions contemplated thereby, including the execution, performance and delivery of the merger agreement, (iii) subject to the merger agreement, resolved to recommend the adoption of the merger agreement and the transactions contemplated thereby by the Company s stockholders, and (iv) directed that the merger agreement be submitted to the Company s stockholders for adoption. **The Board unanimously recommends you vote (1) FOR adoption of the merger agreement, (2) FOR approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation, and (3) FOR the adjournment proposal.** If you sign, date and return your proxy card without indicating how you wish to vote on a proposal, your proxy will be voted **FOR** each of the foregoing proposals in accordance with the recommendation of the Board.

VOTING

The adoption of the merger agreement requires the affirmative vote of holders of at least 80 percent of the outstanding shares of our common stock, par value $0.10 per share (common stock), entitled to vote at the special meeting and is a condition to the completion of the merger. The approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation and the approval of the adjournment proposal each requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote on such proposal and which are actually so voted at the special meeting, but neither is a condition to the completion of the merger.

YOUR VOTE IS IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES OF OUR COMMON STOCK YOU OWN. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of the holders of at least 80 percent of the outstanding shares of our common stock entitled to vote at the special meeting. EVEN IF YOU PLAN ON ATTENDING THE SPECIAL MEETING IN PERSON, WE REQUEST THAT YOU AUTHORIZE YOUR PROXY TO VOTE YOUR SHARES OF OUR COMMON STOCK BY EITHER MARKING, SIGNING, DATING AND PROMPTLY RETURNING THE PROXY CARD OR SUBMITTING YOUR PROXY OR VOTING INSTRUCTIONS BY TELEPHONE OR INTERNET, AS OUTLINED BELOW. If you attend the special meeting and desire to vote in person, you may do so even though you have previously sent in your proxy. The failure to vote, either in person or by proxy, abstention, or to provide voting instructions to your broker, will have the same effect as a vote AGAINST adoption of the merger agreement. Failure to vote, abstentions and broker non-votes will have no effect on the other proposals to be considered at the special meeting.

You can vote in person at the special meeting. For further information regarding attending the special meeting, see the section entitled *Special Meeting* in the accompanying proxy statement. Even if you plan to attend the meeting, please vote as soon as possible using one of the following methods:

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

2. **By Internet:** You can vote your shares of our common stock online at **www.proxyvote.com.**

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

Table of Contents

Brokers may not vote your shares of our common stock on any of the matters being presented at the special meeting in the absence of specific voting instructions from you. Please contact your broker directly if you have questions about how to provide such instructions.

Under Delaware law, stockholders who do not vote **FOR** adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares of our common stock as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal before the vote on the proposal to adopt the merger agreement and comply with the other Delaware law procedures explained in the accompanying proxy statement. See the section entitled *Appraisal Rights* in the accompanying proxy statement.

You may revoke your proxy at any time before the vote at the special meeting by following the procedures outlined in the accompanying proxy statement.

Before voting your shares of our common stock, we urge you to, and you should, read the entire accompanying proxy statement carefully, including its annexes and the documents incorporated by reference in the proxy statement. If you have any questions concerning the merger, merger agreement, transaction-related named executive officer compensation, adjournment proposal, special meeting, conditional special dividend and related due bill trading or accompanying proxy statement, or if you would like additional copies of the accompanying proxy statement (at no charge) or need help submitting a proxy to have your shares of our common stock voted, please contact our proxy solicitor:

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

Bankers and Brokers Call: (212) 269-5550

All Others Call: (866) 745-0273

Email: usg@dfking.com

MEETING ADMISSIONS:

An admission ticket (or other proof of stock ownership) and a form of photo identification will be required for admission to the special meeting. In addition, if you are not a stockholder of record but hold shares of our common stock through a broker, bank or other nominee (i.e., in street name), you will be required to provide proof of beneficial ownership as of the record date. See the section entitled *The Special Meeting* in the accompanying proxy statement.

DATE OF MAILING:

The proxy statement and the accompanying proxy card were first made available to our stockholders on or about [ ], 2018.

By order of the Board of Directors,

[ ]

Michelle M. Warner
Senior Vice President, General Counsel and Corporate Secretary
[ ], 2018

Table of Contents

TABLE OF CONTENTS

SUMMARY	1
QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER	11
CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS	24
THE COMPANIES	25
USG Corporation	25
Gebr. Knauf KG	25
World Cup Acquisition Corporation	25
THE SPECIAL MEETING	26
Date, Time and Place of the Special Meeting	26
Purposes of the Special Meeting	26
Record Date and Quorum	26
Required Vote	27
Voting by the Company s Directors and Executive Officers	27
Voting by Knauf and Berkshire	27
Attendance; Voting; Proxies; Revocation	28
Abstentions	30
Solicitation of Proxies	31
Other Information	31
PROPOSAL 1: THE MERGER	32
Certain Effects of the Merger	32
Background of the Merger	33
Recommendations of the Board and Reasons for the Merger	44
Certain USG Unaudited Prospective Financial Information	48
Opinions of the Company s Financial Advisors	50
Financing	63
Interests of Our Directors and Executive Officers in the Merger	63
Material U.S. Federal Income Tax Consequences of the Merger and the Conditional Special Dividend	72
Regulatory Approvals	75
Delisting and Deregistration of Company Common Stock	76
THE MERGER AGREEMENT	77

Explanatory Note Regarding the Merger Agreement	77
Structure of the Merger; Certificate of Incorporation; Bylaws; Directors and Officers	77
When the Merger Becomes Effective	77
Effect of the Merger on the Common Stock	78

Table of Contents

Treatment of Company Equity Awards	78
Payment for Common Stock in the Merger	80
Conditional Special Dividend	80
Representations and Warranties	81
Conduct of Business Pending the Merger	84
Access	86
Acquisition Proposals	86
The Special Meeting	89
Financing and Financing Assistance	89
Employee Matters	90
Efforts to Complete the Merger	91
Indemnification and Insurance	91
Coordination on Stockholder Litigation	92
Liability Management	92
Cooperation Relating to UBBP Joint Venture	92
Other Covenants and Agreements	92
Conditions to Completion of the Merger	93
Termination	93
Company Termination Fee	94
Expenses	95
Amendment; Extension	95
Governing Law; Enforcement	95
THE VOTING AGREEMENT	97
Explanatory Note Regarding the Voting Agreement	97
Summary	97
PROPOSAL 2: NON-BINDING, ADVISORY VOTE ON TRANSACTION-RELATED NAMED EXECUTIVE OFFICER COMPENSATION	98
PROPOSAL 3: VOTE ON ADJOURNMENT	99
MARKET PRICE OF THE COMPANY S COMMON STOCK	100
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	101
APPRAISAL RIGHTS	104
MULTIPLE STOCKHOLDERS SHARING ONE ADDRESS	109
SUBMISSION OF STOCKHOLDER PROPOSALS	110

WHERE YOU CAN FIND ADDITIONAL INFORMATION	111
ANNEXES	112

Table of Contents

SUMMARY

This summary highlights selected information contained in this proxy statement, including with respect to the merger agreement, merger and conditional special dividend. We encourage you to, and you should, carefully read this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement, as this summary may not contain all of the information that may be important to you in determining how to vote. We have included page references to direct you to a more complete description of the topics presented in this summary. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in the section entitled Where You Can Find Additional Information.

The Companies (page 25)

USG Corporation

USG Corporation (USG, the Company, we, our or us) is a Delaware corporation. We are an industry-leading manufacturer of building products and innovative solutions. Headquartered in Chicago, Illinois, we serve construction markets around the world through our Gypsum, Performance Materials, Ceilings, and USG Boral divisions. Our wall, ceiling, flooring, sheathing and roofing products provide the solutions that enable customers to build the outstanding spaces where people live, work and play. Our UBBP joint venture (as defined below) is a leading plasterboard and ceilings producer across Asia, Australasia and the Middle East.

A detailed description of the Company s business is contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference into this proxy statement. See the sections entitled *Where You Can Find Additional Information* and *The Companies USG Corporation*.

Gebr. Knauf KG

Gebr. Knauf KG (Knauf) is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany and is the ultimate parent company of the Knauf Group, which is headquartered in Iphofen, Germany. Knauf is a leading manufacturer of building materials operating more than 220 factories worldwide. In 2017, Knauf generated global revenues in excess of $8 billion and employed more than 27,000 people. See the section entitled *The Companies Gebr. Knauf KG*.

World Cup Acquisition Corporation

World Cup Acquisition Corporation (Merger Sub) is a Delaware corporation and an indirect, wholly-owned subsidiary of Knauf that will function as the merger subsidiary in the merger. See the section entitled *The Companies World Cup Acquisition Corporation*.

The Merger (page 32)

You will be asked to consider and vote to adopt the Agreement and Plan of Merger, dated as of June 10, 2018 (as it may be amended from time to time, the merger agreement), by and among the Company, Knauf and Merger Sub, pursuant to which, subject to the satisfaction of customary closing conditions, Merger Sub will be merged with and into the Company (the merger), with the Company continuing as the surviving corporation in the merger and an indirect, wholly-owned subsidiary of Knauf. A copy of the merger agreement is attached to this proxy statement as Annex A.

If the merger agreement is adopted and the merger is completed, at the effective time of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger (other

than shares of our common stock owned by Knauf and its subsidiaries, the Company and its subsidiaries or excluded holders) automatically will be converted into the right to receive the closing consideration of $43.50 in cash, without interest and subject to tax withholding as applicable (the closing consideration). Excluded holders are holders of shares of our common stock who have not voted, or caused or permitted to be voted, any shares of our common stock **FOR** adoption of the merger agreement at the special meeting and who have properly demanded and not withdrawn a demand for, or otherwise lost or waived their right to, appraisal rights pursuant to Section 262 of the General Corporation Law of the State of Delaware (the DGCL). In addition to the closing consideration, as contemplated in the merger agreement, the Company is expected to declare a conditional special cash dividend of $0.50 per share of our common stock (the conditional special dividend and together with the closing consideration, the total consideration) payable to holders of our common stock as of the record date (as defined below) of the special meeting (subject to due bill trading as further described in this proxy statement). Payment of the conditional special dividend is conditioned on the merger agreement being adopted by the affirmative vote of the holders of at least 80 percent of the outstanding shares of our common stock entitled to vote at the special meeting (the stockholder approval) and would be payable following certification of the results of the special meeting. The payment of the conditional special dividend is not conditioned on the completion of the merger and, if stockholder approval of the adoption of the merger agreement is obtained, would be payable regardless of whether the merger is completed. Additionally, each holder of any time-vesting restricted stock unit award (Company RSU Award) or award of deferred stock units (Company DSU Award), outstanding as of the record date of the special meeting, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, and (ii) the number of shares underlying such award in accordance with the terms of the applicable award.

With respect to any stock option (Company stock option), award of market share units (Company MSU Award) and award of performance shares (Company Performance Share Award) outstanding as of June 10, 2018, because, by their terms, they are not entitled to receive dividend equivalents in respect of the conditional special dividend, the Company will grant Dividend Make-Whole Amount (as defined below) payments in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such Company stock options, Company MSU Awards and Company Performance Share Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company (each a Dividend Make-Whole Amount). The Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Company stock options, Company MSU Awards and Company Performance Share Awards remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective time of the merger. However, if any holder of outstanding Incentive Equity Awards (as defined below) terminates employment with the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards. For further discussion of the impact of the merger, including the closing consideration and the conditional special dividend, on each outstanding Company stock option, Company RSU Award, Company MSU Award, Company Performance Share Award and Company DSU Award in the merger, see the section entitled *The Merger Agreement Treatment of Company Equity Awards* in this proxy statement.

Upon completion of the merger, the Company will be an indirect, wholly-owned subsidiary of Knauf, our common stock will no longer be publicly traded and the Company s existing stockholders (other than Knauf) will cease to have any ownership interest in the Company.

Treatment of Company Equity Awards (page 78)

Stock Options. At the effective time of the merger, each award of Company stock options in respect of our common stock that is outstanding immediately prior to the effective time of the merger will be converted into the right to receive a cash payment as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, equal to the product of (i) the number of shares of our common stock subject to such Company stock option as of the effective time of the merger, multiplied by (ii) the excess, if any, of the closing consideration over the exercise price for such Company stock option. For information regarding the impact of the conditional special dividend on Company equity awards, see the section entitled *Dividend Make-Whole Amounts* below.

Restricted Stock Unit Awards. At the effective time of the merger, each Company RSU Award in respect of our common stock that is outstanding immediately prior to the effective time of the merger will become fully vested and will be converted into the right to receive as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, a cash payment equal to the product of (i) the number of shares of our common stock subject to such Company RSU Award as of the effective time of the merger, multiplied by (ii) the closing consideration; provided that to the extent any such Company RSU Award constitutes nonqualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the Code), such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. If stockholder approval of the adoption of the merger agreement is obtained, each holder of any Company RSU Award, outstanding as of the record date of the special meeting, that provides for dividend equivalents, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, and (ii) the number of shares underlying such Company RSU Award in accordance with the terms of such award. The dividend equivalent will be converted into additional Company RSU Awards that will vest and be paid out along with the other outstanding Company RSU Awards as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger.

Market Share Unit Awards and Performance Share Awards. At the effective time of the merger, each Company MSU Award and Company Performance Share Award in respect of our common stock that is outstanding immediately prior to the effective time of the merger will become fully vested and will be converted into the right to receive as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, a cash payment equal to the product of (i) (a) in the case of a Company MSU Award, the number of shares of our common stock earned under such Company MSU Award, determined as of the effective time of the merger by substituting the closing consideration for the market value per share, or (b) in the case of a Company Performance Share Award, the number of shares of our common stock earned under such Company Performance Share Award, determined by substituting the closing consideration for the ending stock price in determining the achievement of the performance goal measured as of the effective time of the merger, multiplied by (ii) the closing consideration; provided that to the extent any such Company MSU Award or Company Performance Share Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. For information regarding the impact of the conditional special dividend on Company MSU Awards and Company Performance Share Awards, see the section entitled *Dividend Make-Whole Amounts* below.

Deferred Stock Unit Awards. Pursuant to the merger agreement, it is expected that all of the Company s non-employee directors will be replaced as of the effective time of the merger. Accordingly, at the effective time of the merger, each Company DSU Award held in notional accounts by non-employee directors who will experience a separation from service under Section 409A of the Code in connection with the completion of the merger, will be converted into a right to receive a cash payment equal to the product of (i) the number of shares

of our common stock deemed to be held in the notional account immediately before the effective time of the merger, multiplied by (ii) the closing consideration; provided that (a) to the extent that any such non-employee director is a specified employee under Section 409A of the Code or (b) such non-employee director does not have a separation from service in connection with the completion of the merger, such cash payment will be paid in accordance with the applicable Company DSU Award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. If stockholder approval of the adoption of the merger agreement is obtained, each holder of any Company DSU Awards, outstanding as of the record date of the special meeting, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, and (ii) the number of shares underlying such Company DSU Award in accordance with the terms of such award.

Dividend Make-Whole Amounts. The Company will grant a Dividend Make-Whole Amount to each holder of Company stock options, Company MSU Awards, and Company Performance Share Awards (collectively, the Incentive Equity Awards) that were outstanding as of June 10, 2018 in the form of a cash payment in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such Incentive Equity Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company. The Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Incentive Equity Award remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective time of the merger. However, if any holder of outstanding Incentive Equity Awards terminates employment with the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards.

Conditions to Completion of the Merger (page 93)

The respective obligations of the Company, Knauf and Merger Sub to complete the merger are subject to the satisfaction or waiver of certain customary conditions, including obtaining stockholder approval of the adoption of the merger agreement, receipt of certain regulatory approvals, the absence of any legal prohibitions to the completion of the merger, the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the merger agreement. For further information, see the section entitled *The Merger Agreement Conditions to Completion of the Merger* and Annex A.

When the Merger Becomes Effective (page 77)

As of the date of this proxy statement, we expect to complete the merger in early 2019. However, completion of the merger is subject to the satisfaction or waiver of the conditions to completion of the merger, which are described in this proxy statement and include various regulatory clearances and approvals, and it is possible that the merger will not be completed until a later time, or at all. There may be a substantial amount of time between the special meeting and completion of the merger. After stockholder approval of the adoption of the merger agreement is obtained, the Board will not have the right to terminate the merger agreement in order to accept any alternative acquisition proposal. We expect to complete the merger promptly following the receipt of all required approvals.

Recommendations of the Board and Reasons for the Merger (page 44)

After careful consideration and discussion, the Board by unanimous vote, (i) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and

in the best interests of the Company and its stockholders, (ii) approved and declared advisable the merger agreement and the completion by the Company of the transactions contemplated thereby, including the execution, performance and delivery of the merger agreement, (iii) subject to the merger agreement, resolved to recommend the adoption of the merger agreement and the transactions contemplated thereby by the Company s stockholders, and (iv) directed that the merger agreement be submitted to the Company s stockholders for adoption. For a description of the reasons considered by the Board in resolving to recommend **FOR** adoption of the merger agreement, see the section entitled *Proposal 1: The Merger Recommendations of the Board and Reasons for the Merger.*

The Board unanimously recommends you vote (1) FOR adoption of the merger agreement, (2) FOR approval, on a non-binding, advisory basis, of the compensation payments that will or may be paid or become payable to the Company s named executive officers and that are based on or otherwise relate to the merger and the agreements and understandings pursuant to which such compensation will or may be paid or become payable (the transaction-related named executive officer compensation), and (3) FOR the approval of the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum (the adjournment proposal).

Opinions of the Company s Financial Advisors (page 50)

Goldman Sachs & Co. LLC

On June 10, 2018, Goldman Sachs & Co. LLC (Goldman Sachs) delivered its opinion to the Board that, as of June 10, 2018 and based upon and subject to the factors and assumptions set forth therein, the total consideration to be paid to the holders (other than Knauf and its affiliates) of shares of common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated June 10, 2018, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided advisory services and its opinion for the information and assistance of the Board in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of common stock should vote with respect to the transaction or any other matter. Pursuant to an engagement letter between the Company and Goldman Sachs, the Company has agreed to pay Goldman Sachs a transaction fee that is estimated, based on the information available as of the date of announcement, to be approximately $31 million, of which $125,000 has been paid as of July 20, 2018, and the principal portion of which is contingent upon consummation of the transaction.

For further information, see the section entitled *Proposal 1: The Merger Opinions of the Company s Financial Advisors Opinion of Goldman Sachs & Co. LLC* and Annex B.

J.P. Morgan Securities LLC

On June 10, 2018, J.P. Morgan Securities LLC (J.P. Morgan) delivered its opinion to the Board that, as of June 10, 2018 and based upon and subject to the factors and assumptions set forth therein, the total consideration, to be paid to the holders of shares of common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of J.P. Morgan dated June 10, 2018, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as Annex C to this

- 5 -

Table of Contents

proxy statement and is incorporated herein by reference. The summary of the opinion of J.P. Morgan set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. The Company s stockholders are urged to read the opinion in its entirety. J.P. Morgan s written opinion was addressed to the Board (in its capacity as such) in connection with and for the purposes of its evaluation of the transaction, was directed only to the consideration to be paid in the transaction and did not address any other aspect of the transaction. J.P. Morgan expressed no opinion as to the fairness of the consideration to the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the transaction. The issuance of J.P. Morgan s opinion was approved by a fairness committee of J.P. Morgan. The opinion does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the transaction or any other matter. Pursuant to an engagement letter between the Company and J.P. Morgan, J.P. Morgan received a fee from the Company of $3 million in connection with the delivery of its opinion and the Company has agreed to pay J.P. Morgan a transaction fee that is estimated, based on the information available as of the date of announcement, to be approximately $31 million, against which the opinion fee will be credited, upon the consummation of the transaction.

For further information, see the section entitled *Proposal 1: The Merger Opinions of the Company s Financial Advisors Opinion of J.P. Morgan Securities LLC* and Annex C.

Interests of Our Directors and Executive Officers in the Merger (page 63)

In considering the recommendation of the Board that you vote **FOR** adoption of the merger agreement, you should be aware that the directors and executive officers of the Company have potential interests in the proposed merger that may be different from or in addition to the interests of our stockholders generally. The Board was aware of these interests and considered them, among other matters, in making its recommendation that you vote **FOR** adoption of the merger agreement. These interests include:

- Vesting and payment of all outstanding Company stock options, Company RSU Awards, Company MSU Awards and Company Performance Share Awards will be accelerated upon completion of the merger. In addition, holders of such awards will receive an amount in cash equal to the product of the number of shares of our common stock earned or subject to such award, multiplied by the closing consideration (less, for Company stock options, the exercise price) as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger; provided that to the extent any such Company RSU Award or Company MSU Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code.

- Any Company DSU Awards held in notional accounts by non-employee directors will be converted into a right to receive a cash payment equal to the product of (i) the number of shares of our common stock deemed to be held in the notional account immediately before the effective time of the merger, multiplied by (ii) the closing consideration, at the earliest time permitted under the applicable award agreement and Section 409A of the Code following termination of the director s service with the Company.

While holders of Company RSU Awards and Company DSU Awards will be entitled to receive the conditional special dividend as a dividend equivalent pursuant to the terms of the awards, the Company will grant a Dividend Make-Whole Amount to each holder of Incentive Equity Awards outstanding as of June 10, 2018, which are not entitled to receive dividend equivalents, in the form of a cash payment in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such Incentive Equity

Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company. The Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Incentive Equity Award remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective time of the merger. However, if any holder of outstanding Incentive Equity Awards terminates employment with the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards.

Any USG equity awards, other than shares of common stock or Company DSU Awards granted to directors in the ordinary course of business pursuant to the USG Corporation Stock Compensation Program for Non-Employee Directors and the USG Corporation Deferred Compensation Program for Non-Employee Directors, granted after the merger agreement was entered into and before completion of the merger will be assumed and converted into a cash-based award in connection with completion of the merger which will continue to vest in accordance with the terms of the applicable award agreement. Any such equity awards will provide for a pro-rata payment of the cash value of the award in the event of an involuntary termination of employment following completion of the merger.

Change in control severance agreements with the Company s executive officers provide for severance benefits upon a termination of employment by the Company without cause (as defined in the applicable agreement) or a resignation with good reason (as defined in the applicable agreement) within two years following completion of the merger, or a termination without cause within 120 days (or 90 days for one executive officer) prior to the effective date of the merger.

The Company s directors and executive officers are entitled to continued indemnification and insurance coverage after the merger is completed.

For a more detailed description of these interests, see the section entitled *Proposal 1: The Merger Interests of Our Directors and Executive Officers in the Merger*.

Financing (page 63)

The merger is not conditioned upon the receipt of financing by Knauf.

In connection with the execution of the merger agreement, on June 8, 2018, Knauf and Merger Sub entered into a debt commitment letter with UniCredit Bank AG and Commerzbank Aktiengesellschaft (the debt commitment letter), pursuant to which Knauf will obtain debt financing for the merger that will be used, together with other available capital resources of Knauf and its subsidiaries, to fund (i) the payment of the closing consideration, (ii) the payment of all unpaid transaction fees to be paid in connection with completion of the merger and any amounts required to be paid by Knauf pursuant to the terms of the merger agreement, (iii) the repayment of certain existing indebtedness of the Company and its affiliates and (iv) the payment of any fees associated with the foregoing. The debt commitment letter provides, among other things, that UniCredit Bank AG and Commerzbank Aktiengesellschaft will arrange, manage the syndication of and underwrite a EUR 2,250,000,000 term credit facility, a EUR 500,000,000 (or the

equivalent in U.S. dollars) revolving credit facility, a $800,000,000 term credit facility and a $858,500,000 backstop credit facility. Knauf has delivered to the Company a copy of the executed debt commitment letter, including all exhibits, schedules or amendments (if any) thereto.

Table of Contents

Knauf has represented in the merger agreement that it will have sufficient funds available to it, through the aggregate proceeds from the foregoing credit facilities, together with the other available capital resources of Knauf and its subsidiaries, necessary to complete the merger and the other transactions contemplated by the merger agreement. The Company has agreed to use its reasonable best efforts to provide cooperation as may be reasonably requested by Knauf to assist Knauf in arranging, obtaining and syndicating debt financing at or prior to the effective time of the merger.

Material U.S. Federal Income Tax Consequences of the Merger and the Conditional Special Dividend (page 72)

If you are a U.S. holder (as defined in the section entitled *Proposal 1: The Merger Material U.S. Federal Income Tax Consequences of the Merger and the Conditional Special Dividend*), (i) the receipt of the conditional special dividend will be taxable as a dividend to you to the extent paid out of the Company s current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, and, to the extent that the conditional special dividend exceeds the Company s current and accumulated earnings and profits, the excess will first reduce your basis in our common stock, but not below zero, and then will be treated as gain from the sale of your common stock and (ii) the receipt of the closing consideration in exchange for shares of our common stock pursuant to the merger will generally be a taxable transaction to you in which you will recognize capital gain or loss in an amount equal to the difference, if any, between the amount of cash received and your adjusted tax basis in such shares. If you are a non-U.S. holder (as defined below under *Proposal 1: The Merger Material U.S. Federal Income Tax Consequences of the Merger and the Special Dividend*), you generally will not be subject to U.S. federal income tax with respect to the receipt of the conditional special dividend or the exchange of our common stock for the closing consideration in the merger unless you have certain connections with the United States, except that the amount of the conditional special dividend that is treated as a dividend for U.S. federal income tax purposes generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. You should consult your own tax advisor regarding the particular tax consequences to you of the exchange of shares of our common stock for the closing consideration pursuant to the merger and the receipt of the conditional special dividend pursuant to the merger agreement in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

Regulatory Approvals (page 75)

HSR Clearance. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) and related rules, certain transactions, including the merger, may not be completed until notifications have been submitted to the Antitrust Division of the United States Department of Justice (the Antitrust Division) and the United States Federal Trade Commission (the FTC) and the applicable statutory waiting period has expired or been terminated. The Company and Knauf received notice that their request for early termination of the HSR waiting period was granted on July 11, 2018. HSR clearance for the merger is effective as of receipt of that notice.

Other Clearances. Completion of the merger is further subject to the receipt of the applicable approvals under certain foreign antitrust laws as agreed between the Company and Knauf, including Australia, China, Mexico, New Zealand, Singapore and Vietnam.

Commitments to Obtain Approvals. Knauf is required to take all actions necessary to obtain antitrust approvals, including (i) proposing, negotiating, committing to and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture or disposition of such businesses, product lines or assets of Knauf and its respective subsidiaries and affiliates and (ii) otherwise taking or committing to take actions that, after the effective time of the merger, would limit Knauf s or its subsidiaries or affiliates freedom of action with respect

- 8 -

to, or its or their ability to retain, one or more of the businesses, product lines or assets of Knauf and its respective subsidiaries or affiliates.

Regulatory authorities may impose conditions on the completion of the merger. While Knauf is required in accordance with the merger agreement to take all actions necessary to procure approvals from regulatory authorities, there can be no assurance that the merger will be completed in the expected timeframe if regulatory authorities impose such conditions.

Appraisal Rights (page 104)

Under Section 262 of the DGCL, Company stockholders who do not vote **FOR** adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares of our common stock in cash as determined by the Delaware Court of Chancery, but only if they comply fully with all of the applicable requirements of the DGCL, which are summarized in this proxy statement. Any appraisal amount determined by the Delaware Court of Chancery could be more than, the same as, or less than the value of the closing consideration. Any Company stockholder intending to exercise appraisal rights must, among other things, submit a written demand for appraisal to the Company before the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy voting **FOR** adoption of the merger agreement. Failure to follow exactly the procedures specified under the DGCL will result in the loss of appraisal rights. Because of the complexity of the DGCL relating to appraisal rights, if you are considering exercising your appraisal rights, we encourage you to seek the advice of your own legal counsel. The discussion of appraisal rights contained in this proxy statement is not a full summary of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL that is attached to this proxy statement as Annex D. To the extent there are any inconsistencies between the discussion of appraisal rights contained in this proxy statement and Section 262 of the DGCL, Section 262 of the DGCL will govern.

Delisting and Deregistration of Company Common Stock (page 76)

If the merger is completed, our common stock will be delisted from the New York Stock Exchange (the NYSE) and the Chicago Stock Exchange (the CHX) and deregistered under the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act).

Acquisition Proposals; Change in Board Recommendation (page 86)

The merger agreement provides that from the date of the merger agreement until the effective time of the merger, we are not permitted to directly or indirectly initiate, solicit, or knowingly encourage or encourage the making of (including by way of furnishing non-public information) any inquiries regarding, or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, an acquisition proposal or engage in or otherwise participate in any discussions or negotiations regarding any such proposal. Nevertheless, under certain circumstances before obtaining stockholder approval of the adoption of the merger agreement, if we receive an unsolicited bona fide written acquisition proposal that did not result from the breach of the merger agreement that the Board determines in good faith, after consultation with its outside legal counsel and financial advisors of nationally recognized reputation, that the proposal is or would reasonably be expected to lead to a superior proposal, we may furnish non-public information and engage in negotiations regarding an acquisition proposal, subject to specified conditions in the merger agreement. For further information, see the section entitled *The Merger Agreement Acquisition Proposals* and Annex A.

The Board unanimously recommends that you vote **FOR** adoption of the merger agreement. The merger agreement permits the Board to effect a change in recommendation under certain specified circumstances, but only prior to

obtaining stockholder approval of the adoption of the merger agreement. For further information, see the section entitled *The Merger Agreement Acquisition Proposals* and Annex A.

Termination (page 93)

The merger agreement may be terminated by the mutual written consent of the Company and Knauf, or by either the Company or Knauf under certain, specified circumstances. For further information, see the section entitled *The Merger Agreement Termination* and Annex A.

Company Termination Fee (page 94)

Under certain, specified circumstances, the Company may be required to pay Knauf a termination fee in an amount equal to $215 million (the termination fee). For further information, see the section entitled *The Merger Agreement Company Termination Fee* and Annex A.

Voting by Knauf (page 27)

Pursuant to the merger agreement, Knauf has agreed to vote, or cause any of its applicable subsidiaries to vote, in person or by proxy, all shares of our common stock held by Knauf, directly or indirectly, as of the record date of the special meeting **FOR** adoption of the merger agreement, **FOR** approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation, and, as requested by the Company, any other action in furtherance thereof to be voted on by the holders of our common stock at the special meeting. As provided in its Schedule 13D filed on June 11, 2018, Knauf owns 14,757,258 shares of our common stock, which represents approximately 10.6% of the shares of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

The Voting Agreement (page 97)

Concurrently with the execution of the merger agreement, Berkshire Hathaway Inc. (Berkshire Hathaway), on behalf of itself and certain of its direct and indirect subsidiaries that own shares of our common stock (collectively, Berkshire), entered into a voting agreement, dated June 10, 2018 (the voting agreement), with Knauf and Merger Sub with respect to the shares of our common stock beneficially owned by Berkshire on the date of the voting agreement (collectively, the subject shares). Under the voting agreement, Berkshire agreed, among other things and on the terms set forth therein, to vote (or cause to be voted) the subject shares then beneficially owned by Berkshire, directly or indirectly, **FOR** adoption of the merger agreement, approval of the merger and the consummation of all of the transactions contemplated thereby and against any competing acquisition proposals relating to the Company. As provided in its Schedule 13D filed on June 11, 2018, Berkshire owns 43,387,980 shares of our common stock, which represents approximately 31.1% of the shares of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposals to be voted on at the special meeting. These questions and answers may not address all of the questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully and in their entirety. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in the section entitled Where You Can Find Additional Information.

Q: Why am I receiving this proxy statement?

A: On June 10, 2018, we entered into the merger agreement with Knauf and Merger Sub, pursuant to which the Company will become an indirect, wholly-owned subsidiary of Knauf and will no longer be an independent, publicly-traded corporation. If the merger agreement is adopted and the merger is completed, at the effective time of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger (other than shares of our common stock owned by Knauf and its subsidiaries, the Company and its subsidiaries or excluded holders) automatically will be converted into the right to receive the closing consideration. In addition to the closing consideration, as contemplated in the merger agreement, the Company is expected to declare a conditional special dividend payable to holders of our common stock as of the record date of the special meeting (subject to due bill trading as further described in this proxy statement). Payment of the conditional special dividend is conditioned on stockholder approval of the adoption of the merger agreement and would be payable following certification of the results of the special meeting. The payment of the conditional special dividend is not conditioned on completion of the merger and, if stockholder approval of the adoption of the merger agreement is obtained, would be paid regardless of whether the merger is completed.

You are receiving this proxy statement as a stockholder of the Company in connection with the solicitation of proxies by the Board in favor of the proposal to adopt the merger agreement and to approve the other related matters to be voted on at the special meeting described below under *What matters will be voted on at the special meeting?* The merger cannot be completed unless the merger agreement is adopted by holders of at least 80 percent of the outstanding shares of our common stock entitled to vote at the special meeting.

Q: When and where is the special meeting?

A: The special meeting will be held at USG Corporate Headquarters, 550 West Adams Street, Chicago, Illinois 60661-3676, on [ ] at [ ] a.m., Chicago time.

Q: Who is entitled to vote at the special meeting?

A: All record holders of our common stock at the close of business on the record date of [ ], 2018 (the record date) are entitled to vote their shares of our common stock at the special meeting. On the record date, there were [ ]

shares of our common stock issued and outstanding and entitled to vote. Each share of our common stock outstanding at the close of business on the record date is entitled to one vote on each of the proposals presented at the special meeting. The shares of our common stock are our only securities entitled to vote at the special meeting.

Q: What matters will be voted on at the special meeting?

A: At the special meeting, you will be asked to consider and vote on the following proposals:

adoption of the merger agreement;

Table of Contents

approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation; and

approval of the adjournment proposal.

Q: How do I attend the special meeting?

A: If you plan to attend the special meeting, you must hold at least one share of our common stock as of the close of business on the record date and provide proof of such ownership. A form of photo identification will be required for admission to the special meeting as well as one of the following proofs of stock ownership:

If your shares of our common stock are registered in your name and you received your proxy materials by mail: Please mark the space on your proxy card if you plan to attend the special meeting. An admission ticket is attached to your proxy card.

If your shares of our common stock are registered in your name and you received or accessed your proxy materials electronically over the Internet: Click the appropriate box on the electronic proxy card or follow the telephone instructions when prompted and an admission ticket will be held for you at the registration desk at the special meeting.

If you hold shares of our common stock through a broker, bank or other nominee (street name): You will be required to present a statement from that nominee reflecting your ownership of shares of our common stock as of the close of business on the record date, the notice regarding the availability of proxy materials you received or the non-voting portion of the voting instruction form you received.

For safety and security reasons, we will not allow anyone to bring large bags, briefcases or packages into the meeting room, or to record or photograph the meeting.

Q: How many shares are needed to constitute a quorum?

A: A quorum is necessary to transact business at the special meeting. The presence at the special meeting, in person or represented by proxy, of the holders of a majority of shares of our common stock issued and outstanding and entitled to vote at the special meeting will establish a quorum. If a quorum is not established at the special meeting, the special meeting may be adjourned or postponed from time to time (subject to the terms of the merger agreement) until a quorum is established.

If you sign and submit your proxy card or voting instruction form but fail to provide voting instructions or abstain on any of the proposals listed on the proxy card, your shares of our common stock will be counted for the purpose of determining whether a quorum is established at the special meeting.

If your shares of our common stock are held in street name by your broker, bank or other nominee and you do not instruct that nominee how to vote your shares of our common stock, your broker, bank or other nominee will not vote on your behalf with respect to any of the proposals, and your shares of our common stock will not be counted for purposes of determining whether a quorum is established.

Q: What are my choices when voting?

A: You may cast your vote **FOR** or **AGAINST**, or you may **ABSTAIN** from voting your shares of our common stock on, each proposal. Abstentions and broker non-votes will have the same effect as votes **AGAINST** adoption of the merger agreement. Abstentions and broker non-votes will have no effect on the other proposals to be considered at the special meeting.

Q: How do I vote?

A: We have both stockholders of record, or registered stockholders, and street name stockholders. If your shares of our common stock are registered in your name with Computershare Trust Company N.A., our

transfer agent, you are a stockholder of record or registered stockholder. You are a stockholder of record, for example, if you hold a certificate for your shares of our common stock. If your shares of our common stock are held in the name of a broker, bank or other nominee, you are a street name stockholder.

Whether you hold shares of our common stock directly as a stockholder of record or as a street name stockholder (subject to specific instructions from your nominee as detailed below), you may direct how your shares of our common stock are voted by proxy without attending the special meeting. There are three ways to vote by proxy:

- By telephone You can vote by telephone by calling 1-800-690-6903 and following the instructions on the proxy card or voting instruction form you received;

- By Internet You can vote over the Internet at www.proxyvote.com by following the instructions on the proxy card or voting instruction form you received; or

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

If your shares of our common stock are held by a broker, bank or other nominee on your behalf in street name, that nominee will send you instructions as to how to provide voting instructions for your shares of our common stock. Many brokerage firms and banks have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by a voting instruction form. If you are a street name stockholder and you wish to vote your shares of our common stock in person at the special meeting, you must obtain a proxy from your broker, bank or other nominee giving you the right to vote your shares of our common stock at the meeting.

Unless you hold your shares of our common stock through the Investment Plan (as discussed below), you may vote via the Internet or by phone until 11:59 p.m. Eastern time, on [ ], 2018, or our Company s agent must receive your paper proxy card on or before [ ], 2018.

For further information about how you may vote if you hold your shares of our common stock through the Investment Plan, see the information described below under *If I hold shares through the USG Corporation Investment Plan, how do I vote?*

Q: What does it mean to vote by proxy?

A: A proxy is your legal designation of another person, referred to as a proxy, to vote your shares of our common stock. The written document describing the matters to be considered and voted on at the special meeting is called a proxy statement. The document used to designate a proxy to vote your shares of our common stock is called a proxy card. To vote by proxy means that you give someone else the right to vote your shares of our common stock in accordance with your instructions. We are asking you to give your proxy to our Chief Executive Officer and our Corporate Secretary. In this way, you ensure that your vote will be counted even if you are unable to attend the special meeting.

If you sign and submit your proxy card or voting instruction form without giving specific instructions on how to vote your shares of our common stock, in accordance with the recommendation of the Board, either our Chief Executive Officer or our Corporate Secretary will vote your shares of our common stock in the following manner:

FOR adoption of the merger agreement;

FOR approval, on a non-binding advisory basis, of the transaction-related named executive officer compensation; and

FOR the adjournment proposal.

For a discussion of the factors the Board considered in determining to recommend **FOR** adoption of the merger agreement, please see the section entitled *Proposal 1: The Merger Recommendations of the Board*

and Reasons for the Merger. In addition, in considering the recommendation of the Board with respect to the merger agreement, you should be aware that some of our directors and executive officers have interests that may be different from, or in addition to, the interests of our stockholders generally. For a discussion of these interests, please see the section entitled *Proposal 1: The Merger Interests of Our Directors and Executive Officers in the Merger*.

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

A: If you have given your proxy and wish to revoke it and change your vote, you may do so by (i) giving written notice to our Corporate Secretary which must be received by us before [ ], (ii) voting in person at the special meeting, (iii) granting a subsequent proxy over the Internet or by telephone (you may not change your vote over the Internet or by telephone after 11:59 p.m., Eastern time, on [ ]) or (iv) if you received your proxy materials by mail, submitting another signed proxy card with a date later than your previously delivered proxy. Simply attending the special meeting will not, by itself, revoke your proxy; only your latest dated, valid proxy received not later than [ ] will be counted. If your shares of our common stock are held in the name of a broker, bank or other nominee, you must follow instructions received from that nominee with this proxy statement in order to revoke your vote or to vote in person at the special meeting.

Q: If I hold shares through the USG Corporation Investment Plan, how do I vote?

A: Fidelity Management Trust Company, as trustee (the Trustee) of the USG Corporation Investment Plan (the Investment Plan), held [ ] shares of our common stock on the record date. Only the Trustee, as of the record date, can vote the shares of our common stock held by the Investment Plan. However, the Investment Plan provides that Investment Plan participants are entitled to instruct the Trustee how the shares of our common stock allocated to their accounts under the Investment Plan are to be voted.

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

If you hold your shares of our common stock through the Investment Plan and you are also a stockholder of record, your proxy card will allow you to designate the manner in which you want both the shares of our common stock registered in your name and the shares of our common stock in the Investment Plan voted at the special meeting. If you hold your shares of our common stock through the Investment Plan, but you do not hold any shares of our common stock as a stockholder of record, you will be able to designate the manner in which you want those shares of our common stock voted at the special meeting by voting as described above.

If you own any of your shares of our common stock through the Investment Plan, you may vote via the Internet or by phone until 11:59 p.m., Eastern time, on [ ], 2018, or our Company s agent must receive your paper proxy card on or before [ ], 2018.

Q: What vote is required to adopt the merger agreement, and what happens if I abstain?

A: Adoption of the merger agreement requires the affirmative vote of holders of at least 80 percent of the outstanding shares of our common stock entitled to vote at the special meeting (the stockholder approval). A failure to vote your shares of our common stock or an abstention from voting will have the same effect as a vote **AGAINST** adoption of the merger agreement. If your shares of our common stock are held in street name by your broker, bank or other nominee and you do not instruct that nominee how to vote your shares of our common stock, the failure to instruct that nominee will have the same effect as a vote **AGAINST** adoption of the merger agreement.

Q: What vote is required to approve the other proposals to be considered at the special meeting, and what happens if I abstain?

Approval, on a Non-Binding, Advisory Basis, of Transaction-Related Named Executive Officer Compensation: The affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote and which are actually so voted at the special meeting is required to approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation. Neither abstentions nor broker non-votes will have any effect on this proposal.

Adjournment Proposal: The affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote and which are actually so voted at the special meeting is required to approve the adjournment proposal. Neither abstentions nor broker non-votes will have any effect on this proposal.

Q: Why am I being asked to consider and vote on the transaction-related named executive officer compensation?

A: Under the U.S. Securities and Exchange Commission (the SEC) rules, we are required to seek a non-binding, advisory vote with respect to the compensation and benefits that will or may be paid or become payable to our named executive officers as a consequence of the merger.

Q: What will happen if stockholders do not approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation?

A: Approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation is not a condition to completion of the merger. The vote on this proposal is a vote separate and apart from the vote to adopt the merger agreement. Accordingly, a stockholder may vote to approve the transaction-related named executive officer compensation and vote not to adopt the merger agreement and vice versa. Because the vote on this proposal is advisory in nature only, it will not be binding on either the Company or Knauf. Accordingly, if stockholder approval of the adoption of the merger agreement is obtained and the merger is completed, the

transaction-related named executive officer compensation will be paid, may be paid or become payable to our named executive officers in accordance with the terms of their compensation agreements and arrangements even if stockholders fail to approve this proposal.

Q: How are broker non-votes and abstentions treated?

A: Broker non-votes occur when brokers, banks or other nominees, holding shares of our common stock on behalf of street name stockholders do not receive voting instructions from those owners regarding a matter and do not have discretionary authority to vote on the matter under the rules of the NYSE. Those rules do not allow nominees to vote in their discretion on non-routine matters, such as the merger agreement and the other proposals presented in this proxy statement.

Table of Contents

As they represent shares of our common stock issued and outstanding but will not be affirmatively voted to adopt the merger agreement, broker non-votes and abstentions will effectively count as votes **AGAINST** adoption of the merger agreement. As they are not votes actually cast on a given proposal, broker non-votes and abstentions will not affect the outcome of the vote to approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation or the vote to approve the adjournment proposal.

Q: How does the Board recommend I vote?

A: The Board unanimously recommends you vote:

- **FOR** adoption of the merger agreement;
- **FOR** approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation; and
- **FOR** the adjournment proposal.

For a discussion of the factors that the Board considered in determining to recommend **FOR** adoption of the merger agreement, please see the section entitled *Proposal 1: The Merger Recommendations of the Board and Reasons for the Merger*. In addition, in considering the recommendation of the Board with respect to the merger agreement, you should be aware that some of our directors and executive officers have interests that may be different from, or in addition to, the interests of Company stockholders generally. For a discussion of these interests, please see the section entitled *Proposal 1: The Merger Interests of Our Directors and Executive Officers in the Merger*.

Q: How do the Company s directors and officers intend to vote?

A: As of the record date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, [ ] shares of our common stock, representing approximately [ ] percent of the outstanding voting power of our common stock. We currently expect that our directors and executive officers will vote their shares of our common stock **FOR** adoption of the merger agreement and the other proposals to be considered at the special meeting, although they have no obligation to do so.

Q: Are any Company stockholders already committed to vote FOR any of the proposals to be considered and voted on at the special meeting?

A: Yes. Pursuant to the merger agreement, Knauf has agreed to vote, or cause any of its applicable subsidiaries to vote, in person or by proxy, all shares of our common stock held of record by Knauf, directly or indirectly, **FOR** adoption of the merger agreement and approval of the transaction-related named executive officer compensation,

and, as requested by the Company, any other action in furtherance thereof. As provided in its Schedule 13D filed on June 11, 2018, Knauf owns 14,757,258 shares of our common stock, which represents approximately 10.6% of the shares of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

Concurrently with the execution of the merger agreement, Knauf and Merger Sub entered into the voting agreement with Berkshire with respect to the subject shares. Under the voting agreement, Berkshire agreed, among other things and on the terms set forth therein, to vote (or cause to be voted) the subject shares then beneficially owned by Berkshire, directly or indirectly, **FOR** adoption of the merger agreement, approval of the merger and the consummation of all of the transactions contemplated thereby and against any competing acquisition proposals relating to the Company. As provided in its Schedule 13D filed on June 11, 2018, Berkshire owns 43,387,980 shares of our common stock, which represents approximately 31.1% of the shares of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

The voting agreement will terminate upon the earlier to occur of (i) the effective time of the merger, (ii) the date on which the merger agreement is terminated in accordance with its terms, (iii) five business days after delivery of written notice of termination by Berkshire to Knauf if after the date of the voting agreement any acquisition proposal relating to the Company has been publicly announced or otherwise becomes publicly known, (iv) the date of any material modification, amendment or waiver of or to the merger agreement as in effect as of the date of the voting agreement, which Berkshire believes has an adverse effect on the consideration payable to stockholders of the Company upon completion of the merger, (v) September 1, 2019 and (vi) the mutual written agreement of Knauf and Berkshire to terminate the voting agreement.

Q: What will holders of Company common stock receive if stockholders adopt the merger agreement at the special meeting?

A: The Company is expected to declare the conditional special dividend, a cash dividend of $0.50 per share of our common stock, payable to holders of our common stock as of the record date of the special meeting. The conditional special dividend is conditioned on stockholder approval of the adoption of the merger agreement and would be paid following certification of the results of the special meeting. The payment of the conditional special dividend is not conditioned on completion of the merger and, if stockholder approval of the adoption of the merger agreement is obtained, would be paid regardless of whether the merger is completed.

Due to the contingent nature of the conditional special dividend, the NYSE rules require our common stock to trade with due bills, representing an assignment of the right to receive the conditional special dividend, beginning on [ ], 2018 (one business day prior to the record date) through the date the conditional special dividend is paid (the conditional special dividend payment date) or it is determined that the conditional special dividend will not be paid because stockholder approval of the adoption of the merger agreement was not obtained (such period of time, the due bill period). Our common stock will not trade ex-dividend until the first business day after the conditional special dividend payment date (the ex-dividend date). This means that purchasers of our common stock during the due bill period (even if the trade will settle after the due bill period) are entitled to receive the conditional special dividend in the event stockholder approval of the adoption of the merger agreement is obtained. Stockholders who sell our common stock during the due bill period (even if the trade will settle after the due bill period) are not entitled to receive the conditional special dividend in the event stockholder approval of the adoption of the merger agreement is obtained. Investors who enter into trades to purchase our common stock on or after the ex-dividend date will not receive the conditional special dividend. The conditional special dividend is conditioned on the merger agreement being adopted by our stockholders at the special meeting and would be paid following certification of the results of the special meeting.

Due bills obligate sellers who were stockholders of record on the record date to deliver the conditional special dividend, if paid, to the subsequent buyer. Accordingly, holders of our common stock on the record date must hold our common stock through the conditional special dividend payment date to be entitled to receive the conditional special dividend. The due bill obligations are settled customarily between the brokers representing the buyers and sellers of our common stock. The Company has no obligations for either the amount of the due bill or the processing of the due bill. Buyers and sellers of our common stock during the due bill period should consult their broker before trading in our common stock to be sure they understand the effect of the NYSE s due-bill procedures.

Q: What will holders of Company common stock receive if the merger is completed?

A: If the merger agreement is adopted and the merger is completed, at the effective time of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger (other than shares of our common stock owned by Knauf and its subsidiaries, the Company and its subsidiaries or excluded holders) automatically will be converted into the right to receive the closing consideration of $43.50 in cash, without interest and subject to tax withholding as applicable. You will not receive any shares of the capital stock in the surviving corporation.

Table of Contents

Q: How does the total consideration compare to the market price of our common stock prior to the public announcement of Knauf s offer to acquire the Company?

A: The total consideration of $44.00 per share of our common stock, consisting of both the closing consideration and the conditional special dividend, represents a premium of approximately 31% to the unaffected closing price of common stock of $33.51 and a 36% premium to the $32.36 average closing price of common stock for the preceding 12-month period, both as of March 23, 2018, the business day immediately prior to the public announcement of Knauf s proposal to acquire the Company.

Q: What will holders of Company equity awards receive if stockholders adopt the merger agreement at the special meeting?

A: If the stockholders adopt the merger agreement at the special meeting, each holder of any Company RSU Awards and any Company DSU Awards, outstanding as of the record date of the special meeting, that provide for dividend equivalents, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares underlying such Company RSU Award or Company DSU Award in accordance with the terms of such award.

Q: What will holders of Company equity awards receive if the merger is completed?

A: Vesting and payment of outstanding Company stock options, Company RSU Awards, Company MSU Awards and Company Performance Share Awards will be accelerated upon completion of the merger. Holders of such awards will receive an amount in cash equal to the product of the number of shares of our common stock earned or subject to such award, multiplied by the closing consideration (less, for Company stock options, the exercise price) as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger.

Any Company DSU Awards held in notional accounts by non-employee directors will be converted into a right to receive a cash payment equal to the product of (i) the number of shares of our common stock deemed to be held in the notional account immediately before the effective time of the merger, multiplied by (ii) the closing consideration, at the earliest time permitted under the applicable award agreement and Section 409A of the Code following termination of the director s service with the Company.

The Company will grant a Dividend Make-Whole Amount to each holder of Incentive Equity Awards that are not entitled to receive the conditional special dividend as a dividend equivalent, in the form of a cash payment in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such Incentive Equity Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to completion of the merger, in each case as determined by the Company.

Q:

What will happen to the Company s employee benefit plans and compensation arrangements and agreements following completion of the merger?

A: Following the effective time of the merger, Knauf or the surviving corporation will honor, in accordance with their terms, all of our employee benefit plans and compensation arrangements and agreements. In particular, the merger agreement provides that Knauf will provide or cause to be provided to each of our employees who continues to be employed by the surviving corporation after the effective time of the merger (Continuing USG Employees) compensation and benefits during the period from the effective time of the merger until December 31 of the calendar year following the calendar year in which the effective time of the merger occurs, on the following terms:

Base Compensation. An annual base salary or wage rate that is no less than those provided to such Continuing USG Employees immediately prior to the effective time of the merger;

Table of Contents

Annual Incentives. Target and maximum short-term annual incentive compensation opportunities that are no less than those provided to such Continuing USG Employees immediately prior to the effective time of the merger;

Long-Term Incentives. Target and maximum long-term cash incentive compensation opportunities that are no less than the target and maximum cash value assumptions that were used when granting target equity-based incentive compensation opportunities to such Continuing USG Employees prior to the effective time of the merger;

Retirement Benefits. To the extent not duplicative, retirement benefits and accruals under the applicable Company benefit plans in accordance with the Company s past practices;

Severance Benefits. Severance benefits upon a qualifying termination at least equal to the severance benefits that would have been provided to each such Continuing USG Employee in the event of such a qualifying termination under the applicable Company benefit plans, without amendment, as currently in effect on June 10, 2018 or as required by applicable law; and

Employee Benefits. To the extent not otherwise duplicative with employee benefits otherwise described above, employee benefits that are at least as favorable in the aggregate as the employee benefits provided to such Continuing USG Employees immediately prior to the effective time of the merger under the applicable Company benefit plans.

In addition, Knauf, for purposes of any of its employee benefit plans in which Continuing USG Employees are eligible to participate following the completion of the merger, will recognize for purposes of eligibility, vesting and level of benefits each Continuing USG Employee s years of service with the Company and its subsidiaries before the effective time of the merger, to the same extent as such employee was entitled, before the effective time of the merger, to credit for such service under any comparable Company benefit plan, unless (i) its application would result in a duplication of benefits, (ii) similarly situated employees of Knauf do not receive credit for such service, (iii) such Company benefit plans did not recognize such period of service or did not provide credit for prior service, or (iv) such Knauf benefit plan is a frozen or grandfathered plan. With respect to medical, dental or vision insurance benefits, for the plan year in which the Continuing USG Employees are first eligible to participate (i) any preexisting conditions or limitations and eligibility waiting periods will be waived with respect to the Continuing USG Employees and their eligible dependents to the extent such limitation would have been waived or satisfied under the Company benefit plan in which such Continuing USG Employee participated immediately prior to the merger, and (ii) the amount of eligible expenses incurred by each Continuing USG Employee and his or her eligible dependents that were credited to deductible and maximum out-of-pocket co-insurance requirements under the Company benefit plans immediately prior to the merger will be credited for purposes of satisfying the deductible and maximum out-of-pocket co-insurance requirements under the corresponding Knauf benefit plans.

Knauf s obligations to provide such compensation and benefits to Continuing USG Employees who are covered by a collective bargaining agreement or based outside of the United States will be modified or adjusted as necessary to comply with the terms of such collective bargaining agreement or the laws of such countries in which such Continuing USG Employees are based.

Q: Is the closing consideration expected to be taxable to me?

A: Yes. The exchange of shares of our common stock for the closing consideration pursuant to the merger will generally be a taxable transaction to U.S. holders and certain non-U.S. holders for U.S. federal income tax purposes. A U.S. holder (or a non-U.S. holder that is subject to U.S. federal income tax on its gain from the merger) who exchanges shares of our common stock for the closing consideration in the merger generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received (determined before deduction of any applicable withholding taxes) with respect to such shares and the stockholder s adjusted tax basis in such shares. This may also be a

taxable transaction under applicable state, local and/or foreign income or other tax laws. You should read *Proposal 1: The Merger Material U.S. Federal Income Tax Consequences of the Merger and the Conditional Special Dividend* for the definition of U.S. holder and non-U.S. holder and a more detailed discussion of certain U.S. federal income tax consequences of the merger. Because individual circumstances may differ, you should also consult your tax advisor for a complete analysis of the effect of the merger on your U.S. federal, state and local and/or foreign taxes.

Q: Is the conditional special dividend expected to be taxable to me?

A: Yes. The conditional special dividend will be characterized as a dividend for U.S. federal income tax purposes to the extent paid out of the Company s current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. To the extent that the conditional special dividend exceeds the Company s current and accumulated earnings and profits, the excess will first reduce a U.S. holder s basis in our common stock, but not below zero, and then will be treated as gain from the sale of the U.S. holder s common stock. The amount of the conditional special dividend that is treated as a dividend for U.S. federal income tax purposes paid to a non-U.S. holder generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. This may also be a taxable transaction under applicable state, local and/or foreign income or other tax laws. You should read *Proposal 1: The Merger Material U.S. Federal Income Tax Consequences of the Merger and the Conditional Special Dividend* for the definition of U.S. holder and non-U.S. holder and a more detailed discussion of certain U.S. federal income tax consequences of the conditional special dividend. Because individual circumstances may differ, you should also consult your tax advisor for a complete analysis of the effect of the special dividend on your U.S. federal, state and local and/or foreign taxes.

Q: When is the merger expected to be completed?

A: As of the date of this proxy statement, we expect to complete the merger in early 2019. However, completion of the merger is subject to the satisfaction or waiver of the conditions to the completion of the merger, which are described in this proxy statement and include stockholder approval of the adoption of the merger agreement and various regulatory clearances and approvals, and it is possible that the merger will not be completed until a later time, or not at all. There may be a substantial amount of time between the special meeting and the completion of the merger. After stockholder approval of the adoption of the merger agreement is obtained, the Board will not have the right to terminate the merger agreement in order to accept any alternative acquisition proposal. We expect to complete the merger promptly following the receipt of all required approvals.

Q: What happens if the merger is not completed?

A: If the merger agreement is not adopted by our stockholders, or if the merger is not completed for any other reason, our stockholders will not receive the closing consideration for their shares of our common stock in connection with the merger, the vesting and payment of outstanding Company stock options, Company RSU Awards, Company MSU Awards, Company Performance Share Awards and Company DSU Awards will not be accelerated, and the Dividend Make-Whole Amount will not be paid. Instead, we will remain a public company, and shares of our common stock will continue to be registered under the Exchange Act, as well as listed and

traded on the NYSE and the CHX, and the Company stock options, Company RSU Awards, Company MSU Awards, Company Performance Share Awards and Company DSU Awards will continue in accordance with their terms.

Notwithstanding the fact that, if the merger agreement is not adopted by our stockholders, or if the merger is not completed for any other reason, we will remain a public company, the UBBP joint venture partner may still exercise its call option right that was triggered as a result of entering into the merger agreement.

However, regardless of whether the merger is completed, if the merger agreement is nevertheless adopted by our stockholders at the special meeting, (i) promptly following certification of the results of the special

meeting, the Company is expected to pay the conditional special dividend to all holders of record of common stock as of the record date for the special meeting (subject to due bill trading as further described in this proxy statement), and (ii) each holder of any Company RSU Awards and any Company DSU Awards, outstanding as of the record date of the special meeting, that provide for dividend equivalents, will receive a dividend equivalent on account of such conditional special dividend in accordance with the terms of such award. However, if the merger is not completed, even if stockholder approval of the adoption of the merger agreement is obtained, no holder of any outstanding stock options, Company MSU Awards or Company Performance Share Awards will receive any payment on account of such conditional special dividend.

In the event that either we or Knauf terminates the merger agreement, then, in certain specified circumstances, we may be required to pay Knauf a termination fee in an amount equal to $215 million. See the section entitled *The Merger Agreement Company Termination Fee* for more information.

Q: What if I receive more than one copy of the proxy materials?

A: Receiving more than one copy of the proxy materials means your shares of our common stock are registered in two or more accounts. To vote all of your shares of our common stock by proxy, please complete, sign, date and return each proxy card and voting instruction form that you receive, or vote the shares of our common stock in each account to which those forms relate by Internet or telephone.

Q: What happens if I sell my shares of common stock before completion of the merger?

A: In order to receive the closing consideration, you must hold your shares of our common stock through completion of the merger. Consequently, if you transfer your shares of our common stock before completion of the merger, you will have transferred your right to receive the closing consideration in the merger. You will also lose the ability to exercise appraisal rights with respect to such shares in connection with the merger.

The record date for stockholders entitled to vote at the special meeting is earlier than the expected completion of the merger. If you transfer your shares of our common stock after the record date but before the special meeting date, you will, unless special arrangements have been made, have the right to vote at the special meeting; however, if you transfer your shares of our common stock during the due bill period, as to those shares, you will not receive either the conditional special dividend in the event stockholder approval of the adoption of the merger agreement is obtained or the closing consideration.

Q: Should I send in my stock certificates or other evidence of ownership now?

A: No. After the merger is completed, you will receive a letter of transmittal and related materials from the paying agent for the merger with detailed written instructions for exchanging your shares of our common stock evidenced by stock certificates for the closing consideration. If your shares of our common stock are held in street name by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your street name shares of our

common stock in exchange for the closing consideration. **Please do not return your stock certificates with your proxy**.

Q: What is householding?

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

Table of Contents

If you would like to change your householding election, request that a single copy of this or future proxy materials be sent to your address, or request a separate copy of this or future proxy materials, you should submit this request by writing Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York, 11717, or calling 1-866-540-7095. We will promptly deliver the proxy materials to you upon receipt of your request. Beneficial owners sharing an address who are receiving multiple copies of the proxy materials and wish to receive a single copy of these materials in the future should contact their broker, bank or other nominee to make this request.

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

Q: Who will count the vote?

A: A representative of Broadridge Financial Solutions, Inc. will count the votes and serve as Inspector of Election. The Inspector of Election will be present at the special meeting.

Q: Who pays the cost of this solicitation?

A: We will pay the cost of this proxy solicitation. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses they incur in forwarding proxy material to street name holders. Solicitation will be made primarily through the use of the mail, but our officers, directors and employees may, without additional compensation, solicit proxies personally by telephone, facsimile, mail, the Internet or in person.

We have retained D.F. King & Co., Inc. (D.F. King) as proxy solicitation agent and information agent for the Company. We will pay the fees of D.F. King, which we expect to be approximately $250,000, plus reimbursement of out-of-pocket expenses and will indemnify D.F. King and all of its directors, officers, employees and agents against certain claims, expenses, losses, damages and/or liabilities.

We have retained Alliance Advisors, LLC to provide consulting services related to the special meeting for a fee of approximately $50,000 plus out-of-pocket expenses.

Q: What rights do I have if I oppose the merger?

A: Stockholders of record as of the record date are entitled to exercise appraisal rights under the DGCL only if they do not vote for adoption of the merger agreement and otherwise follow the procedures and satisfy the requirements specified in Section 262 of the DGCL. A copy of Section 262 of the DGCL is attached as Annex D to this proxy statement. See the section entitled *Appraisal Rights*.

Q: Are there any other risks to me from the merger that I should consider?

A: Yes. There are risks associated with all business combinations, including the merger. See the section entitled *Cautionary Statement Concerning Forward-Looking Statements*.

Q: What do I need to do now?

A: Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, please submit your proxy promptly to ensure that your shares of our common stock are represented at the special meeting. If you hold your shares of our common stock in your own name as the stockholder of record, please submit a proxy for your shares of our common stock by (i) completing, signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope, (ii) using the telephone number printed on your proxy card or (iii) using the Internet proxy instructions printed on your proxy card. If you decide to attend the special meeting and vote in person, your

Table of Contents

vote by ballot will revoke any proxy previously submitted. If you are a beneficial owner of shares of our common stock held in street name, please refer to the instructions provided by your broker, bank or other nominee to see which of the above choices are available to you.

Q: Where can I find the voting results of the special meeting?

A: We intend to announce final results in a Current Report on Form 8-K that will be filed with the SEC as soon as possible following the special meeting. All reports that we file with the SEC are publicly available when filed on the SEC s website at *www.sec.gov*.

Q: Where can I find more information about the Company?

A: You can find more information about us from various sources described in the section entitled *Where You Can Find Additional Information*.

Q: Who can help answer my other questions?

A: If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares of our common stock or need additional copies of the proxy statement or the enclosed proxy card, please contact D.F. King, which is acting as the proxy solicitation agent and information agent for the Company in connection with the merger, at the telephone numbers, email address or address below, or the Company at the telephone number or address listed below.

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

Bankers and Brokers Call: (212) 269-5550

All Others Call: (866) 745-0273

Email: usg@dfking.com

or

USG Corporation

Attn: Corporate Secretary

550 W. Adams Street

Chicago, IL 60661-3676

(312) 436-4000

If your broker, bank or other nominee holds your shares of our common stock, you should also call your broker, bank or other nominee for additional information.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

These materials contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 related to management s expectations about future conditions, including but not limited to, statements regarding the proposed transaction with Knauf, including expected timing, completion and effects of the proposed transaction. In some cases, forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words expect, intend, plan, anticipate, estimate, believe, may, will be, will continue, will likely result and similar expressions. Actual market or other conditions may differ materially from management s expectations and, accordingly, may affect our sales and profitability, liquidity and future value. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date, and we undertake no obligation to update any forward-looking statement. Among the risks, contingencies and uncertainties that could cause actual results to differ from those described in the forward-looking statements or could result in the failure of the proposed transaction to be completed are the following: the failure to obtain stockholder approval of the adoption of the merger agreement; the failure to obtain necessary regulatory or other governmental approvals for the proposed transaction, or if obtained, the possibility of being subjected to conditions that could result in a material delay in, or the abandonment of, the proposed transaction or otherwise have an adverse effect on the Company; continued availability of financing or alternatives for the financing provided in the debt commitment letter; the failure to satisfy required closing conditions; the potential impact on the UBBP joint venture in the event the proposed transaction is not completed, including the risk that, in connection with the execution of the merger agreement, Boral Limited has the right to exercise its option to acquire the Company s ownership of the UBBP joint venture; the risk that the proposed transaction may not be completed in the expected timeframe, or at all; the effect of restrictions placed on the Company and its subsidiaries ability to operate their businesses under the merger agreement, including the Company s ability to pursue alternatives to the proposed transaction; the risk of disruption resulting from the proposed transaction, including the diversion of the Company s resources and management s attention from ongoing business operations; the effect of the announcement of the proposed transaction on the Company s ability to retain and hire key employees; the effect of the announcement of the proposed transaction on the Company s business relationships, results of operations, financial condition, the market price of the Company s common stock and businesses generally; the risk of negative reactions from investors, employees, suppliers and customers; the outcome of any legal proceedings that may be instituted against the Company related to the proposed transaction; the amount of the costs, fees, expenses and charges related to the proposed transaction; and the occurrence of any event giving rise to the right of a party to terminate the merger agreement. Information describing other risks and uncertainties affecting the Company that could cause actual results to differ materially from those in forward-looking statements may be found in our filings with the SEC, including, but not limited to, the Risk Factors in our most recent Annual Report on Form 10-K.

Table of Contents

THE COMPANIES

USG Corporation

We are an industry-leading manufacturer of building products and innovative solutions. Headquartered in Chicago, we serve construction markets around the world through our Gypsum, Performance Materials, Ceilings, and USG Boral divisions. Our wall, ceiling, flooring, sheathing and roofing products provide the solutions that enable customers to build the outstanding spaces where people live, work and play. Our UBBP joint venture is a leading plasterboard and ceilings producer across Asia, Australasia and the Middle East.

The Company s principal executive offices are located at 550 West Adams Street, Chicago, Illinois 60661-3676 and its telephone number is (312) 436-4000.

A detailed description of the Company s business is contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference into this proxy statement. See the section entitled *Where You Can Find Additional Information.*

Gebr. Knauf KG

Knauf is the ultimate parent company of the Knauf Group, which is headquartered in Iphofen, Germany. Knauf is a leading manufacturer of building materials operating more than 220 factories worldwide. In 2017, Knauf generated global revenues in excess of $8 billion and employed more than 27,000 people.

Knauf s principal executive offices are located at Am Bahnhof 7, 97346 Iphofen, Federal Republic of Germany, and its telephone number is (49) 9329-31-1091.

World Cup Acquisition Corporation

Merger Sub is a Delaware corporation and an indirect, wholly-owned subsidiary of Knauf that will function as the merger subsidiary in the merger. Merger Sub has not carried on any activities on or prior to the date of this proxy statement except for activities incidental to its formation and activities in connection with Knauf s acquisition of the Company. Upon completion of the merger, Merger Sub will merge with and into the Company and will cease to exist.

Merger Sub s principal executive offices are located at Am Bahnhof 7, 97346 Iphofen, Federal Republic of Germany, and its telephone number is (49) 9329-31-1091.

Table of Contents

THE SPECIAL MEETING

We are furnishing this proxy statement to you as part of the solicitation of proxies by the Board for use at the special meeting. This proxy statement provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

Date, Time and Place of the Special Meeting

The special meeting will be held at [ ] a.m., Chicago time, on [ ], 2018 at USG Corporate Headquarters, 550 West Adams Street, Chicago, Illinois 60661-3676.

For information regarding attending the special meeting, please see the section entitled *Attendance; Voting; Proxies; Revocation Attendance*.

Purposes of the Special Meeting

At the special meeting, you will be asked to consider and vote on the following proposals:

- to adopt the merger agreement;
- to approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation; and
- to approve the adjournment proposal.

Our stockholders must adopt the merger agreement for the merger to occur. If our stockholders fail to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Annex A, and the material provisions of the merger agreement are described in the section entitled *The Merger Agreement*.

The non-binding, advisory vote on the transaction-related named executive officer compensation is a vote required by the rules of the SEC and is separate and apart from the vote to adopt the merger agreement. Accordingly, a stockholder may vote to approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation and vote not to adopt the merger agreement and vice versa. Because the vote on the transaction-related named executive officer compensation is advisory in nature only, it will not be binding on either the Company or Knauf. Accordingly, if stockholder approval of the adoption of the merger agreement is obtained and the merger is completed, the transaction-related named executive officer compensation will be paid to our named executive officers in accordance with the terms of their compensation agreements and arrangements even if stockholders fail to approve this proposal.

The vote on the adjournment proposal is a vote separate and apart from the vote on the proposal to adopt the merger agreement. Accordingly, you may vote to approve the proposal to adopt the merger agreement and vote not to approve the adjournment proposal and vice versa. The Company does not anticipate calling a vote on the adjournment proposal if the merger agreement is first adopted by the requisite number of shares of our common stock at the special meeting.

We do not expect a vote to be taken on any other matters at the special meeting. If any other matters are properly presented at the special meeting for consideration, however, the holders of the proxies will have discretion to vote on these matters in accordance with their best judgment.

Record Date and Quorum

All record holders of our common stock at the close of business on the record date of [ ], 2018 are entitled to vote their shares of our common stock at the special meeting. On the record date, there were [ ] shares of our

common stock issued and outstanding and entitled to vote. Each share of our common stock outstanding at the close of business on the record date is entitled to one vote on each of the proposals presented at the special meeting. The shares of our common stock are our only securities entitled to vote at the special meeting.

The presence at the special meeting, in person or represented by proxy, of the holders of a majority of the shares of our common stock issued and outstanding and entitled to vote at the special meeting will establish a quorum. If a quorum is not established at the special meeting, the special meeting may be adjourned or postponed from time to time (subject to the terms of the merger agreement) until a quorum is established.

If you sign and submit your proxy card or voting instruction form but fail to provide voting instructions or abstain on any of the proposals listed on the proxy card, your shares of our common stock will be included in the calculation of the number of shares of our common stock considered to be present at the special meeting for the purpose of determining whether a quorum is established.

Proxy cards received but marked as abstentions will be included in the calculation of the number of shares of our common stock considered to be present at the special meeting for the purpose of determining whether a quorum is established.

If your shares of our common stock are held by you as the holder of record and you do not return your proxy card or otherwise vote your shares of our common stock by telephone or internet, your shares of our common stock will not be considered present at the special meeting for the purpose of determining whether a quorum is established.

If your shares of our common stock are held in street name and you do not instruct the nominee how to vote your shares of our common stock, your shares of our common stock will not be considered present at the special meeting for the purpose of determining whether a quorum is established.

Required Vote

Each share of our common stock outstanding at the close of business on the record date is entitled to one vote on each of the proposals to be considered at the special meeting.

Adoption of the merger agreement requires the affirmative vote of holders of at least 80 percent of the outstanding shares of our common stock entitled to vote at the special meeting. A failure to vote your shares of our common stock or an abstention from voting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. Approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation and approval of the adjournment proposal each require the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote on each such proposal and which are actually so voted at the special meeting. An abstention with respect to either proposal, or a failure to vote your shares of our common stock will have no effect on these proposals (assuming, in the case of a failure to vote, that a quorum is established).

Voting by the Company s Directors and Executive Officers

At the close of business on the record date, our directors and executive officers were entitled to vote approximately [ ] shares of our common stock, or approximately [ ] percent of the shares of our common stock issued and outstanding on that date. We currently expect that our directors and executive officers will vote their shares of our common stock **FOR** adoption of the merger agreement and the other proposals to be considered at the special meeting, although they have no obligation to do so.

Voting by Knauf and Berkshire

Pursuant to the merger agreement, Knauf has agreed to vote, or cause any of its applicable subsidiaries to vote, in person or by proxy, all shares of our common stock held of record by Knauf, directly or indirectly,

FOR adoption of the merger agreement and approval of the transaction-related named executive officer compensation, and any other action in furtherance thereof. As provided in its Schedule 13D filed on June 11, 2018, Knauf owns 14,757,258 shares of our common stock, which represents approximately 10.6% of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

Concurrently with the execution of the merger agreement, Knauf and Merger Sub entered into the voting agreement with Berkshire with respect to the subject shares. Under the voting agreement, Berkshire agreed, among other things and subject to the terms thereof, to vote (or cause to be voted) the subject shares then beneficially owned by Berkshire, directly or indirectly, **FOR** adoption of the merger agreement, approval of the merger and the consummation of all of the transactions contemplated thereby and against any competing acquisition proposals relating to the Company. As provided in its Schedule 13D filed on June 11, 2018, Berkshire owns 43,387,980 shares of our common stock, which represents approximately 31.1% of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

As such, pursuant to the merger agreement and the voting agreement, respectively, Knauf and Berkshire will vote their shares of our common stock **FOR** adoption of the merger agreement and the other proposals to be considered at the special meeting. See the sections entitled *The Merger Agreement* and *The Voting Agreement*.

Attendance; Voting; Proxies; Revocation

Attendance

If you plan to attend the meeting, you must hold at least one share of common stock as of the record date. A form of photo identification will be required for admission to the special meeting as well as one of the following proofs of stock ownership:

- *If your shares of our common stock are registered in your name and you received your proxy materials by mail*: Please mark the space on your proxy card if you plan to attend the special meeting. An admission ticket is attached to your proxy card.

- *If your shares of our common stock are registered in your name and you accessed your proxy materials electronically over the Internet*: Click the appropriate box on the electronic proxy card or follow the telephone instructions when prompted and an admission ticket will be held for you at the registration desk at the special meeting.

- *If you hold shares of our common stock through a broker, bank or other nominee (i.e., in street name)*: You will be required to present a statement from that nominee reflecting your ownership of shares of our common stock as of the record date, the notice regarding the availability of proxy materials you received or the non-voting portion of the voting instruction form you received.

Voting in Person

Stockholders of record will be able to vote in person at the special meeting. If you are a street name stockholder and you wish to vote your shares of our common stock in person at the special meeting, you must obtain a proxy from

your broker, bank or other nominee giving you the right to vote your shares of our common stock at the special meeting. Attending the special meeting in person does not itself constitute a vote on any proposal.

Providing Voting Instructions by Proxy

To ensure that your shares of our common stock are voted at the special meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the special meeting in person.

Table of Contents

Stockholders of Record and Street Name Stockholders

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

Whether you hold shares of our common stock directly as a stockholder of record or as a street name stockholder (subject to specific instructions from your nominee as detailed below), you may direct how your shares of our common stock are voted by proxy without attending the special meeting. There are three ways to vote by proxy:

By telephone You can vote by telephone by calling 1-800-690-6903 and following the instructions on the proxy card or voting instruction form you received.

By Internet You can vote over the Internet at www.proxyvote.com by following the instructions on the proxy card or voting instruction form you received.

By mail If you received your proxy materials by mail, you can vote by mail by signing, dating and mailing the enclosed proxy card or voting instruction form. If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted **FOR** adoption of the merger agreement, **FOR** approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation, and **FOR** the adjournment proposal. If you fail to return your proxy card and you are a holder of record on the record date, unless you attend the special meeting and vote in person, the effect will be that your shares of our common stock will not be considered present at the special meeting for purposes of determining whether a quorum is established at the special meeting, will have the same effect as a vote **AGAINST** adoption of the merger agreement and, assuming a quorum is established, will not affect the proposal to approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation, or the adjournment proposal.

Participants in the USG Corporation Investment Plan (401(k) Plan)

The Trustee of the Investment Plan held [ ] shares of our common stock on the record date. Only the Trustee, as of the record date, can vote the shares of our common stock held by the Investment Plan. However, the Investment Plan provides that Investment Plan participants are entitled to instruct the Trustee how the shares of our common stock allocated to their accounts under the Investment Plan are to be voted.

The Investment Plan also provides that unallocated shares of our common stock and shares of our common stock for which no instructions are received by the Trustee will be voted by the Trustee in the same proportion as those shares of our common stock for which instructions are received, unless otherwise required by law. Thus, Investment Plan participants will be exercising power and control as a named fiduciary of the Investment Plan not only over the shares of our common stock allocated to their own accounts, but also over a portion of the undirected shares of our common stock. By submitting voting instructions over the Internet, by telephone or by signing and returning the proxy voting form accompanying this proxy statement, an Investment Plan participant will be directing the Trustee to vote the shares of our common stock allocated to his or her account under the Investment Plan, in person or by proxy, as

instructed, at the special meeting. Investment Plan participants may revoke previously submitted voting instructions by phone, Internet or filing with Broadridge Financial Solutions, 51 Mercedes Way, Edgewood, New York 11717, the Investment Plan proxy tabulator, either a written notice of revocation or a properly completed and signed proxy card bearing a later date.

If you hold shares of our common stock through the Investment Plan and you are also a stockholder of record, your proxy card will allow you to designate the manner in which you want both the shares of our common stock registered in your name and the shares of our common stock in the Investment Plan voted at the

special meeting. If you hold shares of our common stock through the Investment Plan, but you do not own any shares of our common stock as a stockholder of record, you will be able to designate the manner in which you want those shares of our common stock voted at the special meeting by voting as described above.

Shares of Our Common Stock Held in Street Name

If your shares of our common stock are held by a broker, bank or other nominee on your behalf in street name, your broker, bank or other nominee will send you instructions as to how to provide voting instructions for your shares of our common stock. Many brokerage firms and banks have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by a voting instruction form.

In accordance with the rules of the NYSE, brokers, banks and other nominees that hold shares of our common stock in street name for their customers do not have discretionary authority to vote the shares of our common stock with respect to adoption of the merger agreement or the other proposals presented in this proxy statement. Accordingly, if brokers, banks, trust companies or other nominees do not receive specific voting instructions from the beneficial owner of such shares of our common stock, they may not vote such shares of our common stock with respect to these proposals. Therefore, unless you attend the special meeting in person with a properly executed legal proxy from your broker, bank or other nominee, your failure to provide instructions to your broker, bank or other nominee will result in your shares of our common stock not being present at the meeting and not being voted on any of the proposals.

Revocation of Proxies

Any person giving a proxy pursuant to this solicitation has the power to revoke and change it at any time before it is voted. If you are a stockholder of record, you may revoke your proxy at any time before the vote is taken at the special meeting by (i) giving written notice to our Corporate Secretary which must be received by us before [ ], (ii) voting in person at the special meeting, (iii) granting a subsequent proxy over the Internet or by telephone (you may not change your vote over the Internet or by telephone after 11:59 p.m., Eastern time, on [ ]) or (iv) if you received your proxy materials by mail, submitting another signed proxy card with a date later than your previously delivered proxy. Simply attending the meeting will not, by itself, revoke your proxy; only your latest dated, valid proxy received not later than [ ] will be counted.

Please note that if you want to revoke your proxy by mailing a new proxy card to the Company or by sending a written notice of revocation to the Company, you should ensure that you send your new proxy card or written notice of revocation in sufficient time for it to be received by the Company before the special meeting.

If you hold your shares of our common stock in street name through a broker, bank or other nominee, you will need to follow the instructions provided to you by your broker, bank or other nominee in order to revoke your proxy or submit new voting instructions. If you hold your shares of our common stock in street name, you may also revoke a prior proxy by voting in person at the special meeting if you obtain a proxy executed in your favor from your broker, bank or other nominee in order to be able to vote in person at the special meeting. Investment Plan participants may revoke previously submitted voting instructions by phone, Internet or filing with Broadridge Financial Solutions, 51 Mercedes Way, Edgewood, New York 11717, the Investment Plan proxy tabulator, either a written notice of revocation or a properly completed and signed proxy card bearing a later date.

Abstentions

An abstention occurs when a stockholder attends a meeting, either in person or represented by proxy, but abstains from voting. Abstentions will be included in the calculation of the number of shares of our common stock present or

represented at the special meeting for purposes of determining whether a quorum has been established.

Abstaining from voting will have the same effect as a vote **AGAINST** adoption of the merger agreement. The requisite number of shares of our common stock to approve the other proposals presented in this proxy

statement is based on the total number of votes actually cast with respect to those proposals. If you abstain from voting, it will have no effect on the proposal to approve, on a non-binding, advisory basis, the transaction-related named executive officer compensation or the adjournment proposal.

Solicitation of Proxies

The Board is soliciting your proxy, and the Company will bear the cost of this solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding the proxy solicitation materials to beneficial owners of the common stock.

The Company has retained D.F. King, a proxy solicitation firm, to assist the Board in the solicitation of proxies for the special meeting, and we expect to pay D.F. King approximately $250,000, plus reimbursement of out-of-pocket expenses. Proxies may be solicited by mail, personal interview, e-mail, telephone or via the Internet by D.F. King or, without additional compensation, by certain of the Company s directors, officers and employees.

We have retained Alliance Advisors, LLC to provide consulting services related to the special meeting for a fee of approximately $50,000 plus out-of-pocket expenses.

Other Information

You should not return your stock certificate or send documents representing your shares of our common stock with the proxy card. If the merger is completed, the paying agent for the merger will send you a letter of transmittal and related materials and instructions for exchanging your shares of our common stock for the closing consideration.

Table of Contents

PROPOSAL 1: THE MERGER

The description of the merger in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the merger agreement, a copy of which is attached as Annex A and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger that is important to you. You are encouraged to read the merger agreement carefully and in its entirety.

Certain Effects of the Merger

Pursuant to the terms of the merger agreement, if the merger agreement is adopted by the Company s stockholders and the other conditions to the completion of the merger are satisfied or waived, Merger Sub will be merged with and into the Company, with the Company surviving the merger as an indirect, wholly-owned subsidiary of Knauf.

The total consideration to be received by our stockholders in connection with the merger, consists of both the closing consideration and the conditional special dividend. Upon the terms and subject to the conditions of the merger agreement, at the effective time of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger (other than shares of our common stock owned by Knauf and its subsidiaries, the Company and its subsidiaries or excluded holders) automatically will be converted into the right to receive the closing consideration. In addition to the closing consideration, as contemplated in the merger agreement, the Company is expected to declare the conditional special dividend payable to holders of our common stock as of the record date of the special meeting (subject to due bill trading as further described in this proxy statement). Payment of the conditional special dividend is conditioned on obtaining stockholder approval of the adoption of the merger agreement and would be payable following certification of the results of the special meeting. The payment of the conditional special dividend is not conditioned on completion of the merger and, if stockholder approval of the adoption of the merger agreement is obtained, would be paid regardless of whether the merger is completed.

With respect to Incentive Equity Awards, because, by their terms, they are not entitled to receive dividend equivalents in respect of the conditional special dividend, the Company will grant Dividend Make-Whole Amount payments in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such Incentive Equity Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company. The Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Incentive Equity Awards remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective time of the merger. However, if any holder of outstanding Incentive Equity Awards terminates employment with, or providing services to, the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards. For discussion of the impact of the merger, including the closing consideration and the conditional special dividend, on each outstanding Company stock option, Company RSU Award, Company MSU Award, Company Performance Share Award and Company DSU Award in the merger, see the section entitled *The Merger Agreement Treatment of Company Equity Awards.*

Our common stock is currently registered under the Exchange Act and is listed on the NYSE and the CHX under the symbol USG. As a result of the merger, the Company will cease to be a publicly-traded company and will be indirectly, wholly-owned by Knauf. Following the completion of the merger, all shares of our common stock will be

delisted from the NYSE and the CHX and deregistered under the Exchange Act, and the Company

will no longer be required to file periodic reports with the SEC with respect to its common stock in accordance with applicable law, rules and regulations.

Background of the Merger

The Company s senior management and the Board regularly review the Company s performance, strategy, competitive position, opportunities and prospects in light of the current business and economic environments, as well as developments in the housing and construction industry and the opportunities and challenges facing participants in that industry. These reviews have included consideration by the Company s senior management and the Board, and discussions with industry participants from time to time, of potential strategic alternatives, including acquisitions, joint ventures and business combinations or other strategic transactions, as well as remaining an independent publicly-traded company.

Knauf initially invested in the Company in October 2000 and has been a stockholder of the Company since that time. As provided in its Schedule 13D filed on June 11, 2018, Knauf owns 14,757,258 shares of our common stock, which represents approximately 10.6% of our common stock issued and outstanding based on 139,462,508 shares of Company common stock outstanding as of June 7, 2018 as represented in the merger agreement.

From time to time, representatives of Knauf have met with the Company s senior management to discuss Knauf s investment in the Company and opportunities for various transactions between the two companies. In 2001, Knauf and the Company formed a joint venture (the Knauf joint venture) to manufacture and distribute Aquapanel® brand concrete panels throughout Europe (excluding Turkey) and the countries of the former Soviet Union. In 2008, at the time the Company was exploring an equity offering, Knauf approached the Company about acquiring an additional equity interest in the Company with a path to acquiring a controlling interest in the Company and possibly eventually acquiring full ownership of the Company. Knauf ultimately declined to participate in the equity offering. In 2012, Knauf acquired the Company s ceilings and surfaces business in Europe for approximately $80 million in cash. Knauf acquired the Company s 50% interest in the Knauf joint venture in December 2015 for a total purchase price of approximately EUR48 million in cash. Knauf also explored from time to time the possibility of closer commercial cooperation between Knauf and the Company, although these discussions did not lead to additional commercial transactions or agreements.

At a meeting on January 25, 2017 between Alexander Knauf and Manfred Grundke, the general partners of Knauf, acting as representatives of Knauf, and Jennifer F. Scanlon, the Company s President and Chief Executive Officer, and Matthew F. Hilzinger, the Company s Executive Vice President and Chief Financial Officer, acting as representatives of the Company, Mr. Knauf and Mr. Grundke indicated that Knauf was interested in looking for ways to partner with the Company, including with respect to Knauf s North American fiberglass insulation business.

On February 8, 2017, the Board held a previously scheduled in-person meeting during which Ms. Scanlon updated the Board on the January 25, 2017 meeting with Mr. Knauf and Mr. Grundke and noted that Knauf may be considering entering the U.S. wallboard market following their acquisition of a wallboard plant in Mexico.

On February 9, 2017, the Company confirmed to Knauf that the Board had been informed of Knauf s interest in continuing to look to ways to partner, but that the Company would not be in a position to respond until it had completed its pending strategic business review process that was expected to be completed mid-year 2017.

On September 19, 2017, Ms. Scanlon and Mr. Hilzinger met with Mr. Knauf and Mr. Grundke during a visit to the United States. At the meeting, the Company informed Knauf that, based on the results of its strategic business review, the Company did not see strategic value in combining with an insulation business in North America. Mr. Knauf

expressed disappointment that the Company did not see any synergy value in partnering with an insulation business, but did not make any alternative proposals.

On November 29, 2017, at the request of Knauf, Mr. Knauf, Mr. Grundke and Jörg Schanow, Knauf s general counsel, met in Chicago, Illinois with Ms. Scanlon, Mr. Hilzinger and Michelle M. Warner, Senior Vice President, General Counsel and Corporate Secretary of the Company. In requesting the meeting, Mr. Knauf stated that the purpose was to discuss an important stockholder issue. During the meeting, Knauf s representatives stated Knauf s intention to make a proposal to acquire the Company in an all-cash transaction. At the conclusion of this meeting, Knauf delivered an indicative and non-binding proposal, dated November 28, 2017, to the Company providing for the acquisition of all of the outstanding shares of the Company not currently owned by Knauf at a cash purchase price of $40.10 per share.

On December 15, 2017, the Board held an in-person meeting, with members of the Company s senior management team and representatives of Jones Day, the Company s legal counsel, and Goldman Sachs and J.P. Morgan, the Company s financial advisors, to evaluate the unsolicited non-binding proposal from Knauf. The Board received a presentation from representatives of Jones Day regarding, among other things, the Board s fiduciary duties in the context of considering an unsolicited proposal, the Company s corporate governance profile and defenses available in the event of a hostile tender offer by Knauf or others, and types of processes that could be conducted if the Board determined to commence a process regarding a potential sale of the Company in order to seek to obtain a value-maximizing proposal. Representatives of Goldman Sachs and J.P. Morgan provided an overview of certain timing and strategy considerations and an overview of the financial aspects of the unsolicited proposal from Knauf. Representatives of Goldman Sachs also confirmed that Goldman Sachs Investment Banking Division had not provided Knauf financial advisory or underwriting services in the past 2 years and that Goldman Sachs had concluded that, in its opinion, nothing would limit its ability to fulfill its responsibilities as financial advisor to the Company in connection with the Knauf situation. Representatives of J.P. Morgan also confirmed that J.P. Morgan s Investment Banking Division had not provided Knauf financial advisory or underwriting services in the past 2 years and that J.P. Morgan had concluded that, in its opinion, nothing would limit its ability to fulfill its responsibilities as financial advisor to the Company in connection with the Knauf situation. The Company s senior management presented the Board with an overview of the Company s history with Knauf, and a discussion followed regarding the relationship of the Company with Knauf and the history of Knauf s investment in the Company. An overview of the Knauf business, its financial position and its pending acquisition of the ceilings business of Armstrong World Industries, Inc. in Europe and Asia was also discussed. Representatives of Goldman Sachs and J.P. Morgan then discussed preliminary financial analyses. The Company s senior management noted that the Company was experiencing positive momentum in the fourth quarter and expressed confidence in the Company s long-range plan. Representatives of Goldman Sachs and J.P. Morgan also reviewed other potential buyers and the possibility of their interest and ability to execute a transaction.

During the meeting, the Board also discussed with the Company s senior management and the Company s advisors what factors Knauf might have considered in setting its offered per share price. The participants in the meeting also discussed factors that would likely impact transaction certainty and certain risks relating to our UBBP joint venture and the joint venture partner s call option rights under the UBBP shareholders agreement (as defined below). The participants in the meeting also discussed considerations relating to Berkshire Hathaway s direct or indirect ownership of approximately 30% of our common stock and the fact that Berkshire Hathaway practically was unable to exit at the market price given its large position. Representatives from Jones Day also explained to the Board that its fiduciary duties ran to all stockholders. Following careful consideration of the information presented to the Board, the Board unanimously determined that Knauf s unsolicited proposal was inadequate and insufficient to warrant further discussion. No decision was reached as to what per share price would result in a willingness to engage with Knauf. In addition, the Board requested that the Company s senior management reach out to Berkshire Hathaway for the limited purpose of eliciting information about Berkshire Hathaway s interactions with Knauf and that the Board be updated on the outcome of that conversation prior to any formal response to Knauf. The Board also directed the Company s senior management to engage a public relations firm to prepare for any necessary public communications in connection with the unsolicited proposal.

On December 19, 2017, Ms. Scanlon and Ms. Warner had a call with Warren Buffett, the Chairman of the Board of Berkshire Hathaway, during which Mr. Buffett acknowledged that the conversation would be subject to

confidentiality obligations and stated that Berkshire Hathaway had communicated with representatives from Knauf s financial advisors, Morgan Stanley, as recently as that morning. Mr. Buffett also stated that while he was supportive of an all cash offer, he felt that Knauf would and should increase its price beyond $40.10 per share. Mr. Buffett also noted that he had communicated to Knauf that he would not support a transaction that treated Berkshire Hathaway differently from other stockholders. Ms. Scanlon informed Mr. Buffett that the Board had taken Knauf s proposal seriously and had engaged financial advisors and legal counsel. She also informed Mr. Buffett that the Board had determined that the per share price proposed by Knauf did not adequately reflect the Company s intrinsic value. Mr. Buffett encouraged the Company s senior management to engage in good faith negotiations with Knauf to increase the per share price of Knauf s proposal. Ms. Scanlon stated that the Board would consider any bona fide offer that reflected the Company s intrinsic value. Subsequent to the discussion with Mr. Buffett, Ms. Scanlon provided an update to the Board on December 19, 2017 and confirmed the content of the response to be sent to Knauf the following morning.

On December 20, 2017, the Company provided a written response to Knauf indicating that the Board, in consultation with its financial and legal advisors, had considered Knauf s proposal and had determined that the per share purchase price was wholly inadequate given the Company s intrinsic value and therefore it was not in the best interest of the Company s stockholders.

Following receipt of the Company s response, on December 22, 2017, Mr. Knauf and Mr. Grundke spoke by phone with Ms. Scanlon and Mr. Hilzinger. During this call, the Company confirmed that the offered price of $40.10 per share was insufficient to warrant substantive discussions or granting Knauf access to the Company s non-public information, particularly in light of the fact that Knauf competes with the Company. Ms. Scanlon explained certain factors the Board considered in determining the Company s intrinsic value, as well as how the Board viewed U.S. tax reform. Ms. Scanlon noted that Knauf could learn more about the Company s strategy by attending the Investor Day scheduled for March 8, 2018. She also noted that Knauf would need to offer a higher value before the Company s senior management would be authorized to share non-public information and that the Board would consider all bona fide proposals that reflected the Company s intrinsic value.

On February 1, 2018, the Company issued a press release disclosing its fourth quarter and full year 2017 results, provided its outlook on market conditions and other factors for 2018, described its new reporting segment structure and announced an increase in its share repurchase program.

On February 8, 2018, Mr. Knauf contacted Steven F. Leer, the Company s non-executive Chairman of the Board, noting that, as a major stockholder of the Company, Knauf was interested in establishing a relationship with the Chairman of the Board and suggesting a meeting in late February. Due to scheduling conflicts, the parties were not able to meet until March 12, 2018.

As previously announced on November 16, 2017, the Company held an inaugural Investor Day presentation on March 8, 2018, during which the Company, among other matters, disclosed certain financial projections through the end of the Company s 2020 fiscal year. Representatives from Knauf and Morgan Stanley attended the presentation.

On March 12, 2018, Mr. Leer and Ms. Scanlon met with Mr. Knauf and Mr. Grundke in New York. Mr. Knauf and Mr. Grundke reiterated Knauf s determination to pursue a transaction and indicated that a revised proposal would be forthcoming, and that, although Knauf preferred to keep discussions regarding their proposal friendly, Knauf would consider approaching the Company s stockholders directly through a public acquisition proposal. Mr. Leer and Ms. Scanlon assured Mr. Knauf and Mr. Grundke that the Board would consider a revised proposal in good faith and consistent with the Board s fiduciary duties to all stockholders.

On March 15, 2018, Knauf delivered a revised indicative and non-binding proposal to the Company providing for the acquisition of all of the outstanding shares of the Company not currently owned by Knauf at a cash purchase price of $42.00 per share.

On March 23, 2018, the Board held a previously scheduled in-person meeting, with members of the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan, to discuss the revised proposal submitted by Knauf. Jones Day reviewed with the Board the fiduciary duties of directors in the context of the revised proposal. Representatives of Goldman Sachs reviewed with the Board the key terms in the revised proposal from Knauf. Goldman Sachs also reviewed changes to certain financial analyses since December 2017, noting that since then there had been an increase in the Company s 52-week high stock price, as well as an increase in the median and highest analyst target stock prices. The discussion then turned to a review by Goldman Sachs and J.P. Morgan of their preliminary financial analyses and certain inputs that had changed since December 2017 based on market changes and other factors, including the passage of U.S. tax reform. The discussion then turned to a review of other potentially interested parties and the potential for alternative proposals if the Board determined to engage in discussions with Knauf regarding a potential transaction. The Board, members of the Company s senior management and the advisors also discussed certain possible transaction complexities that could arise relating to the Company s UBBP joint venture, the fact that Berkshire Hathaway was positioned differently that the Company s other stockholders and would need to take a substantial discount to market to exit its position in the Company s stock in the absence of a sale of the Company, the supermajority vote required by the Company s stockholders to approve a merger with Knauf and possible actions by Knauf or other stockholders to attempt to acquire the Company for less than its intrinsic value.

The Board then discussed with the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan the possible responses to Knauf s revised proposal and methods to give Knauf additional direction that could cause Knauf to meaningfully improve its proposal to better reflect the Company s intrinsic value, including the strategy of rejecting Knauf s offer so that Knauf would further increase its proposal. The discussion then turned to challenges facing the Company that were highlighted in the fourth quarter 2017 earnings call and again at its Investor Day held on March 8, 2018. Following discussion in executive session and careful evaluation of the matters discussed during the Board meeting, the Board unanimously determined that Knauf s revised proposal of $42.00 per share was wholly inadequate. The Board authorized Ms. Scanlon to send a written response to Knauf rejecting the current $42.00 proposal, while also providing additional information regarding the elements of the Company s business plan that the Board believed supported a higher intrinsic value for the Company. The Board also authorized Ms. Scanlon to speak with Knauf s senior management team and authorized a meeting among the Company s financial advisors with Knauf s financial advisors if a meeting would be useful to assist Knauf in meaningfully improving its proposal. The Board discussed a potential range of values but did not make a determination regarding what share price would warrant substantive discussions or granting Knauf access to the Company s non-public information.

Before a formal written response had been finalized, Mr. Knauf called Ms. Scanlon on the evening of March 25, 2018 to inform her that Berkshire Hathaway was planning to file an amendment to its Schedule 13D prior to the market open on March 26, 2018 to disclose that Berkshire Hathaway on March 23, 2018 had offered Knauf an option to purchase all of the shares of the Company held by Berkshire Hathaway and its affiliates. Mr. Knauf noted that Knauf would also be filing an amendment to its Schedule 13D prior to market open to disclose the option arrangement proposed by Berkshire Hathaway as well as Knauf s proposals to purchase all of the outstanding shares of the Company. Later that evening Berkshire Hathaway s outside counsel provided a draft of Berkshire Hathaway s Schedule 13D amendment to Jones Day.

Early on the morning of March 26, 2018, Knauf and Berkshire Hathaway and its affiliates filed amended Schedule 13Ds disclosing that, on March 23, 2018, at the request of Berkshire Hathaway, Mr. Knauf and Mr. Grundke, together with representatives of Morgan Stanley, held a telephonic discussion with Mr. Buffett and Todd Combs, Investment Officer of Berkshire Hathaway. During the call, Berkshire Hathaway proposed to grant Knauf an option to purchase all of the shares of our common stock held by Berkshire Hathaway and its affiliates. The option would be exercisable only in connection with the consummation of the purchase by Knauf of all of the outstanding shares of our common stock at a price of not less than $42.00 per share within six months. The option exercise price payable to Berkshire

Hathaway would be the same price paid to the Company s other stockholders by Knauf, less an option purchase price of $2.00 per share to be paid by

Knauf to Berkshire Hathaway upon the grant of the option. Knauf s amended Schedule 13D disclosed that no formal agreement was entered into between Knauf and Berkshire Hathaway relating to this proposal. Knauf s amended Schedule 13D also disclosed the initial proposal that Knauf delivered to the Company on November 29, 2017 and the revised proposal that Knauf delivered to the Company on March 15, 2018.

Also on March 26, 2018, the Company delivered a letter to Knauf indicating that the Board had, together with the Company s legal and financial advisors, thoroughly analyzed Knauf s most recent proposal and unanimously determined that $42.00 per share was wholly inadequate, as it substantially undervalued the Company and was not in the best interests of all of the Company s stockholders. That same day, the Company issued a press release disclosing that it had received an unsolicited, non-binding proposal from Knauf to acquire the Company and that the Board had unanimously rejected Knauf s proposal. The press release further disclosed that the Board carefully evaluated the proposal and determined that it substantially undervalued the Company and was not in the best interests of all of the Company s stockholders.

On March 29, 2018, Ms. Scanlon spoke telephonically with Mr. Knauf. Ms. Scanlon suggested that Knauf s financial advisors meet with the Company s financial advisors to discuss the Company s views regarding valuation to assist Knauf in evaluating an increase to its current offer price. During the discussion, Mr. Knauf reiterated that Knauf might be willing to increase its offer price if the Company provided additional information and that Knauf would be willing to enter into a confidentiality agreement with the Company. Mr. Knauf proposed another in-person meeting with Mr. Leer and Ms. Scanlon and possibly one financial advisor from each party for the Company to present its strategic plan. Ms. Scanlon again reiterated that the Board would engage around any bona fide proposal that reflects the Company s intrinsic value, and offered to have a meeting between the respective financial advisors to discuss the Company s views on value. Mr. Knauf and Ms. Scanlon ultimately agreed to a meeting between the parties respective financial advisors. Later that same day Ms. Scanlon updated the Board on her conversation with Mr. Knauf. The Board requested that legal counsel attend any meeting of financial advisors given the competitive concerns and also confirmed that the purpose of the meeting was not to negotiate value, but to provide insights on how the parties were thinking about intrinsic value.

On that same day, the Company filed its annual report for fiscal year 2017 and its definitive proxy materials in connection with its 2018 annual meeting of stockholders.

Also on March 29, 2018, representatives of Company A contacted Ms. Scanlon to express interest in exploring a possible strategic transaction with the Company and suggested a meeting with representatives of the Company.

On April 4, 2018, Knauf delivered an information demand (dated April 3, 2018) to the Company pursuant to Section 220 of the DGCL requesting a list of the Company s stockholders as of the record date for the 2018 annual meeting of stockholders and certain other information relating to stockholder voting at the 2018 annual meeting of stockholders for the purpose of communicating with the Company s stockholders with respect to matters relating to their mutual interests as stockholders, including the solicitation of proxies for the election of directors in connection with the annual meeting.

On April 5, 2018, representatives of Goldman Sachs, J.P. Morgan and Jones Day met with representatives of Morgan Stanley and Baker McKenzie, Knauf s legal advisor, in New York to discuss Knauf s revised proposal and the Board s response. During this meeting, the Company s advisors described generally the valuation methodologies used by the Board to evaluate Knauf s proposals. Knauf s advisors indicated that in order to revisit value, Knauf would need to receive additional information that supports value beyond $42.00 per share. The Company s advisors again reiterated that Knauf s proposed price was not within a range to support the additional costs and distraction to the Company of engaging in a diligence process with Knauf or the risks to the Company of sharing material non-public information

with a strategic competitor, and it did not appear that Knauf would be willing to propose a price per share that would be reflective of the Board s view of the intrinsic value of the Company. At this same meeting, the Company s advisors asked Knauf s advisors what Knauf s intention was

in its delivery of the information demand letter. Knauf s legal counsel indicated that the information demand was simply intended to preserve Knauf s options. Knauf s advisors suggested that the Board consider providing at least limited additional information relating to certain specific business and financial topics discussed during the meeting to potentially facilitate further discussions between the parties regarding valuation. Knauf s advisors again confirmed Knauf s willingness to enter into a confidentiality agreement with respect to the requested information.

Also on April 5, 2018, Ms. Scanlon spoke with Mr. Buffett to provide him with a confidential update on the engagement with Knauf to date. Ms. Scanlon stated that the Board s view was that the interactions between the Company and Knauf constituted a negotiation, but that the Board simply had a different view as to the price at which the Company should share confidential information with Knauf. Mr. Buffett encouraged continued engagement and thought that the stockholders of the Company should decide whether the Company should be sold. He stated that he thought the stockholders would approve a transaction and indicated that he thought Knauf might have some room to improve its proposal if it wanted to get a transaction done. Mr. Buffett confirmed that his outside legal advisors were engaging with Knauf on the option offer that Berkshire Hathaway had previously made to Knauf, but that he was willing to extend the same option to another bidder if one emerged. Mr. Buffett reconfirmed that Berkshire Hathaway was not looking for a special deal for itself and also confirmed that the option did not extend to Berkshire Hathaway s voting rights outside of a sale to Knauf.

On April 8, 2018, Ms. Scanlon met with the Chief Executive Officer of Company A to further explore Company A s interest in a possible strategic transaction with the Company. During that meeting, Ms. Scanlon agreed to send representatives of the Company to meet with representatives of Company A during the week of April 23, 2018 to further explore possible benefits of a strategic transaction based on non-confidential information regarding the Company.

On April 9, 2018, Ms. Scanlon updated the Board on the meeting of the financial advisors on April 5, 2018, as well as on her conversations with Berkshire Hathaway and with Company A. The directors attending the call, which were a majority of the Board, confirmed their support for sharing non-confidential information with Company A to help it determine if there was a basis for further engagement.

On April 10, 2018, the Company delivered a letter to Knauf, which responded to Knauf s information demand indicating that the information demand did not comply with the requirements of Delaware law.

Also on April 10, 2018, Knauf issued a press release announcing its intention to solicit proxies from the Company s stockholders in connection with the 2018 annual meeting of stockholders and filed its preliminary proxy materials in connection with its campaign to solicit votes against the Company s four director nominees (the vote against campaign). Knauf indicated in its materials that a vote against the Company s directors would serve as a message to the Board to engage immediately in discussions with Knauf regarding its outstanding offer of $42.00 per share. Knauf did not propose alternative Board nominees.

On April 11, 2018, Knauf delivered a letter to the Board regarding its information demand along with supplemental information to satisfy the information requirements under Delaware law, and the Company responded on April 16, 2018, in accordance with Delaware law, that it would provide the requested information.

On April 12, 2018, Berkshire Hathaway filed an amended Schedule 13D, which disclosed that in response to an inquiry from a Bloomberg News reporter, a spokesperson for Berkshire Hathaway had indicated that Berkshire Hathaway intended to vote against the Company s four director nominees.

On that same day, the Company provided a letter to its stockholders urging them to vote for the election of the Company s four director nominees at the Company s 2018 annual meeting of stockholders. The letter to stockholders indicated that although the Board had not made a decision to sell the Company, it remained open to

evaluating any proposal to acquire the Company, as it had done with Knauf s proposals, and that if Knauf, or any other viable bidder, made a proposal that reflected the Company s intrinsic value, the Board would seek to negotiate an appropriate confidentiality arrangement to allow it to share information with the potential counterparty. The letter further explained that the Board had declined to share confidential information with Knauf because, in addition to being a competitor, Knauf s acquisition proposal was not at a value that the Board believed at the time would adequately compensate all the Company s stockholders.

Also on April 12, 2018, in response to a request from a stockholder of the Company, representatives of Goldman Sachs and J.P. Morgan had a call with representatives of Company B to discuss Company B s potential interest in making a proposal for the Company. On the call, the Company B representatives expressed that they did not see a basis for making a competitive proposal.

On April 16, 2018, the Board and representatives of Jones Day, Goldman Sachs and J.P. Morgan held an update call to discuss the vote against campaign, the Company s response and Berkshire Hathaway s voting intent. Representatives of Jones Day reviewed the Board s legal obligations and also provided an update on the possible outcome of a vote against the director nominees. Ms. Scanlon noted that the Company was likely to miss first quarter 2018 consensus earnings, but expected to be on plan for the year. She also provided a brief update on the upcoming conversations with Company A. The directors attending the call, which were a majority of the Board, discussed their views on the input from stockholders and possible next steps with respect to exploring strategic alternatives.

On April 20, 2018, Knauf filed its definitive proxy materials in connection with its vote against campaign. On the same day, the Company filed its amended proxy materials relating to the vote against campaign.

On April 23, 2018, members of the Company s senior management met in-person with management from Company A to discuss Company A s potential interest in making a proposal for the Company. Management from Company A indicated that they would assess over the next week whether there was a business case for a potential transaction.

On April 25, 2018, the Company issued a press release announcing its first quarter 2018 results. On the same day, the Company filed its quarterly report on Form 10-Q. The following day, Knauf issued a press release related to the Company s first quarter 2018 earnings and reaffirming its proposal to acquire the Company for $42.00 per share. The Company also filed a letter to its stockholders, which among other things, outlined its disagreements with Knauf s public statements and reiterated the Board s view that Knauf s proposal did not represent the intrinsic value of the Company.

Also on April 25, 2018, the Board convened a telephonic meeting, along with members of the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan, to discuss the vote against campaign and input the Company had received from several of the Company s significant stockholders who had expressed the view that the Company should engage in further discussion with Knauf to explore a possible transaction. The discussion then turned to the possibility of receiving a competing offer from Company A. The parties then discussed possible actions by Knauf leading up to and following the 2018 annual meeting of stockholders, depending on the outcome of the vote against campaign. The Board, together with senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan, discussed the pros and cons of engaging with Knauf or waiting until the Company received further information regarding Company A s interest. Following the discussion, the Board determined to discuss further actions at a later date.

During the month of April, Ms. Scanlon also had discussions with the respective Chief Executive Officers of Company C and Company D, each of whom indicated that they were potentially interested in a strategic transaction with the Company, but were not in a position to do so at that time. Accordingly, neither Company C nor Company D

expressed interest in conducting due diligence to pursue a transaction.

On April 30, 2018, the Board convened a telephonic meeting with members of the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan present. At the meeting, Ms. Scanlon informed the Board that Company A had communicated that it was unable to pursue a transaction with the Company at that time and that no other third party had emerged with a proposal to acquire the Company following the March 26th public filing by Knauf of its proposal to acquire the Company for $42.00 per share in cash. Ms. Scanlon also noted that both Institutional Shareholder Services and Glass Lewis, leading proxy advisory firms, had publicly announced their support for the vote against campaign and thus the Company was facing the likelihood of a majority vote against its four director nominees. Ms. Scanlon also informed the Board that Knauf s general counsel, Mr. Schanow, had contacted the Company s general counsel, Ms. Warner, to request a meeting and that Ms. Warner and Mr. Schanow were scheduled to meet later that day.

During the April 30th Board meeting, Ms. Scanlon also explained that, in light of feedback from a significant number of the Company s stockholders that had urged the Company to engage with Knauf to try to find more value, the Company s senior management had continued to evaluate its options with the Company s advisors and recommended that the Company agree to sign a confidentiality agreement and share confidential information with Knauf to determine whether Knauf would improve its proposal. Discussions then turned to the terms of a confidentiality agreement, including with respect to a standstill provision. The Board then discussed with the Company s senior management and the Company s advisors the ways in which allowing Knauf to conduct due diligence might highlight the Company s value. After considering the information presented by the Company s senior management team and representatives of Jones Day, Goldman Sachs and J.P. Morgan, the Board determined to pursue the Company s senior management s proposed strategy of engagement with Knauf on the basis of confidential information, subject to any new information resulting from the meeting scheduled between Mr. Schanow and Ms. Warner. The Board also authorized Ms. Scanlon to begin negotiations on value within a range of $48.00 and $51.00 per share and discussed the pros and cons of issuing a public statement regarding the Board s view of intrinsic value, but decided not to issue such a statement.

Later that day, Ms. Warner and Mr. Schanow met in-person. Mr. Schanow stated Knauf s desire to have assurances regarding the final price that the Board would accept before making a further offer and reiterated Knauf s willingness to sign a confidentiality agreement with the Company and receive additional information to support an increased offer. Mr. Schanow also stated Knauf s view that the Company would want resolution prior to the annual meeting of stockholders scheduled for May 9, 2018, to avoid a vote against the Company s four director nominees. He indicated that Knauf was prepared to move quickly, would provide a shortened due diligence request list and that Mr. Knauf and Mr. Grundke could be in Chicago as early as May 2, 2018. Ms. Warner stated that she was not authorized to negotiate price, but that she would report on the conversation with Mr. Schanow.

On May 1, 2018, Ms. Scanlon spoke with Mr. Knauf to discuss next steps with respect to a possible transaction and due diligence process, and the Company s financial advisors held a telephonic meeting with Knauf s financial advisors to discuss the process for due diligence and related matters. On the same day, the Company issued a press release announcing the Board s authorization for senior management to begin negotiations with Knauf regarding a potential transaction, and the Company and Knauf began negotiating the terms of the confidentiality agreement. Ms. Scanlon also called Mr. Buffett later that same day to discuss the public announcement of the commencement of negotiations with Knauf.

On May 2, 2018, Ms. Scanlon and Mr. Hilzinger held an in-person meeting with Mr. Knauf and Mr. Grundke to discuss next steps and the terms of the confidentiality agreement, and agreed to meet again in person the following day to discuss a schedule for Knauf s due diligence review of the Company s non-public information and a timeline for a possible transaction. During the meeting, Mr. Knauf indicated that Knauf intended to spend several weeks conducting due diligence on the Company s business before providing a revised proposal. The parties also discussed

deal certainty issues and transaction process matters.

On May 3, 2018, Ms. Scanlon, Mr. Hilzinger, Ms. Warner and other members of the Company s senior management met in-person with Mr. Knauf, Mr. Grundke and Mr. Schanow to further discuss process and timing

for negotiating terms of a transaction agreement and Knauf s due diligence review. On the same day, Knauf and the Company continued to negotiate terms of the confidentiality agreement. Jones Day and Baker McKenzie also discussed the terms of the confidentiality agreement, in particular the length and scope of the proposed standstill.

Later in the day on May 3, 2018, the Board held a telephonic meeting with members of the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan to discuss the current status of negotiations with Knauf, including the discussions related to the terms of the confidentiality agreement. After considering the information presented by the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan, the Board authorized the Company s senior management to continue to negotiate the terms of the confidentiality agreement and continue discussions with Knauf, including a written counterproposal.

On May 4, 2018, the Company and Knauf entered into the confidentiality agreement to facilitate further discussions regarding a possible transaction.

On May 8, 2018, members of the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan met with members of Knauf s management and representatives from Baker McKenzie and Morgan Stanley to provide a management presentation and to continue discussions regarding due diligence matters and transaction terms. As authorized by the Board, following the due diligence meeting on May 8, 2018, Ms. Scanlon, Mr. Hilzinger and Ms. Warner met with Mr. Knauf, Mr. Grundke and Mr. Schanow to communicate a counterproposal of $50.00 per share. Ms. Scanlon stated that the Company would be willing to engage in further discussions and provide access to due diligence information to enable Knauf and the Company to reach a mutually agreeable transaction. This counterproposal was also provided in a written letter to Knauf.

On May 9, 2018, the Company held its annual meeting of stockholders. At the annual meeting, approximately 75% of shares voted were cast against each of the Company s director nominees.

Between May 8, 2018 and May 11, 2018, representatives of the Company s senior management and the Company s financial advisors continued discussions regarding Knauf s due diligence review, transaction terms and valuation. During this period, Mr. Leer participated in calls with the Company s senior management and the Company s legal and financial advisors to discuss the ongoing process and the best approach to maximizing value from Knauf.

On May 11, 2018, Baker McKenzie delivered a proposed draft merger agreement and draft voting agreement to Jones Day.

On May 18, 2018, Jones Day communicated by telephone with Baker McKenzie to discuss the draft merger agreement and key issues, including with respect to deal certainty, transaction structure and termination fees.

Also on May 18, 2018, members of the Company s senior management, as well as representatives from Jones Day, Goldman Sachs and J.P. Morgan provided an update to the Board on the status of due diligence, negotiation of the merger agreement and next steps. Ms. Scanlon also provided an update on the second fiscal quarter, 2018.

On May 22, 2018, Ms. Warner, Mr. Schanow, and representatives from Jones Day and Baker McKenzie held in-person meetings in Chicago to negotiate terms of the merger agreement. The following day, Ms. Scanlon and Mr. Leer met in-person with Mr. Knauf and Mr. Grundke to discuss a revised price proposal from Knauf. During this meeting, Mr. Knauf rejected the Company s $50.00 per share counterproposal and indicated that, although he continued to believe that $42.00 per share was full and fair value for the Company, Knauf was willing to increase its proposed price per share to $43.50. Mr. Knauf also delivered the revised proposal in writing. The revised proposal indicated Knauf s view that the Company s business plan did not adequately reflect the challenges presented by the

highly cyclical and commoditized building products industry, execution risk with

respect to the Company s growth initiatives, customer consolidation, potential cost inflation, growth assumptions relating to the Company s ceilings business, risks to the Company s paper sourcing strategy and the need for significant future capital investment.

Ms. Scanlon and Mr. Leer indicated that, based on the synergies that the Company believed Knauf would realize in connection with the transaction and the Company s projections, they believed Knauf should be willing to increase its proposal in the range of $47.00 per share and that a transaction at that level may be one that the Board would be willing to support, but that Ms. Scanlon and Mr. Leer would present Knauf s offer of $43.50 to the Board. The parties did not make further progress on the price discussions, but agreed to talk again on the afternoon of May 24, 2018 and to continue work on the draft merger agreement.

On May 24, 2018, the Board held a telephonic meeting with members of the Company s senior management team and representatives of Jones Day, Goldman Sachs and J.P. Morgan to discuss the revised price proposed by Knauf, key open issues in the merger agreement, and strategic options. Jones Day presented a review of the Board s fiduciary duties to the Company s stockholders in connection with the sale of control of the Company. Jones Day also reviewed the key issues that remained open in the merger agreement, including with respect to matters relating to deal certainty, treatment of equity awards and Knauf s insistence on a termination fee in the event that stockholder approval of the adoption of the merger agreement is not obtained. The participants discussed market practice and precedent transactions in this context. Representatives of Goldman Sachs and J.P. Morgan discussed financial analyses of the Company as well as considerations for the Company continuing as a standalone company. Goldman Sachs and J.P. Morgan also presented information regarding potential alternative bidders if the Company were to solicit proposals to acquire the Company, recognizing that the discussions with Knauf were already in the public domain and no third party, other than Company A, expressed any interest in making a proposal or even conducting due diligence.

In executive session during the May 24, 2018 meeting, the Board discussed the current tone of negotiations and the potential for movement on price by Knauf, as well as concerns regarding certain operations of the Company s UBBP joint venture and potential risks to the Company s long range plan given some headwinds in certain markets. The Board asked members of the Company s senior management to quantify the potential impact of these risks to value, as well as any potential upside to the long range plan. The Board further discussed possible strategies for bridging the gap on price, the risks of Knauf walking away from negotiations and engaging in a hostile acquisition of the Company at $42.00 per share or lower or pursuing an alternative transaction with another U.S. wallboard competitor. After careful consideration of the information presented, the Board authorized the Company s senior management to continue negotiations with Knauf and granted Ms. Scanlon and Mr. Leer the authority to negotiate a transaction at a value equal to or greater than $44.00. The Board also authorized the Company s senior management and the Company s financial advisors to contact other possible buyers, including Company A, to determine whether there was interest by other parties in making a proposal for an alternative transaction.

On May 24, 2018 representatives of Goldman Sachs, J.P. Morgan and Morgan Stanley spoke to discuss the Company s counterproposal, with Morgan Stanley stating that $43.50 per share was close to the maximum price Knauf was willing to pay and that Knauf was unwilling to split the difference between $43.50 and $47.00 per share.

On May 25, 2018, at the direction of the Board, Ms. Scanlon and Mr. Leer met in-person again with Mr. Knauf and Mr. Grundke. Mr. Knauf continued to reiterate a price of $43.50 per share and Mr. Leer offered a counterproposal of $45.25 per share. The parties also discussed a possible conditional special dividend to be paid by the Company to its stockholders if stockholder approval of the adoption of the merger agreement was obtained in an effort to bridge the value gap between the parties respective price proposals. Mr. Knauf informed Ms. Scanlon and Mr. Leer that he was only authorized to offer $43.50 per share. Mr. Knauf indicated that he would need to take the Company s proposal back to the Knauf family shareholders for discussion. Following the discussions with Mr. Knauf and Mr. Grundke,

Ms. Scanlon and Mr. Leer provided an update to the Board and the

Company s financial and legal advisors, indicating that they were scheduled to speak again with Knauf on May 29, 2018 and that they were still expecting a markup of the merger agreement from Knauf that day. Representatives of J.P. Morgan and Goldman Sachs confirmed that they were reaching out to other potential bidders.

Between May 25, 2018 and May 29, 2018, representatives of Goldman Sachs and J.P. Morgan contacted Company A and four other potential bidders as directed by the Board. Mr. Leer also spoke with the President of one of the other potential bidders. Company A reaffirmed that it was not in a position at that time to engage in an acquisition of the Company, and each of the other potential bidders indicated that they were unable or unwilling to submit a competing bid for the Company.

On May 29, 2018, Mr. Leer and Ms. Scanlon spoke with Mr. Knauf and Mr. Grundke regarding the status of the open merger agreement terms and offer price. Mr. Knauf reaffirmed Knauf s $43.50 per share proposal and that there were a number of open points in the merger agreement potentially impacting value that needed to be resolved in a manner satisfactory to Knauf. Mr. Knauf also noted the weakening of the Euro against the Dollar, increasing the cost of the transaction to Knauf. Mr. Knauf expressed significant concern about whether an agreement could be reached between the parties. Mr. Leer stated that the Board was still at $45.25, but he felt that they would consider $45.00. Mr. Knauf indicated that he did not see a bridge between $45.25 and $43.50, but that he would encourage the advisors to continue to work on the merger agreement and resolve the open issues that could impact value.

On May 31, 2018, Ms. Warner, Mr. Schanow, and representatives from Jones Day and Baker McKenzie held in-person meetings in Chicago to continue to negotiate terms of the merger agreement, including with respect to deal certainty matters. The parties spoke again, on June 4, 2018, to continue negotiations on remaining open issues in the merger agreement.

On June 5, 2018, Mr. Knauf delivered by email a revised written proposal, together with a markup of the merger agreement. In the email, Mr. Knauf communicated that this constituted Knauf s best and final offer. The revised proposal indicated that the previous proposal of $43.50 per share had stretched the limit of Knauf s authorization after several discussions with the Knauf family shareholders. The letter then indicated that, following further discussions with the family shareholders and in a final attempt to reach an agreement on the transaction, Knauf was willing to agree to a total consideration proposal of $44.00 per share, consisting of $43.50 per share in cash at closing of the merger plus $0.50 per share in a conditional special dividend that the Company would be permitted to pay upon obtaining stockholder approval of adoption of the merger agreement. The revised proposal also conceded many of the open merger agreement terms in favor of the Company s position.

On June 6, the Board held a telephonic meeting with members of the Company s senior management team and representatives of Jones Day, Goldman Sachs and J.P. Morgan. The Board discussed the material open items with respect to the transaction terms, including Knauf s proposals with respect to the break-up fee amount, the payment to Knauf of a fee in the event of failure to obtain stockholder approval of the adoption of the merger agreement, and the parties obligations in respect of regulatory filings and approvals. At this meeting, senior management presented to the Board the risks and opportunities to the long range plan. As part of this discussion, senior management noted that the risks that could negatively impact value included housing starts stagnating and that Knauf could enter the U.S. market through the acquisition of a competitor with management noting that Knauf s perseverance in the current instance lead them to believe this scenario had a high likelihood. Senior management further noted a potential reduction in the anticipated financial benefits derived from strategic initiatives, and reduced EBITDA from the UBBP joint venture. Senior management also noted that the opportunities that could positively impact the Company s value included the benefits from pricing analytics, supply chain optimization and wallboard price increases. The Board discussed the likelihood of the identified risks and opportunities, and the resulting impact on the Company s value. Based on the foregoing considerations, the Board determined that it was willing to accept Knauf s total consideration proposal of

$44.00 per share (consisting of $43.50 per share in cash at closing of the merger plus $0.50 per share in a conditional special

dividend). After discussing with the Company s senior management and its advisors, the Board also determined that it was willing to accept Knauf s proposal on the break-up fee amount, but rejected Knauf s proposals relating to the fee in the event of a failure to obtain stockholder approval of the adoption of the merger agreement and the treatment of regulatory filings and approvals. Between June 6, 2018 and June 10, 2018, representatives of the Company and Knauf and the parties respective legal counsel continued to negotiate final transaction terms, including with respect to deal certainty and regulatory process.

On June 7, 2018, Ms. Scanlon and Ms. Warner spoke with Mr. Buffett on a confidential basis to inform him that Knauf was proposing that Berkshire Hathaway sign a voting agreement supporting a transaction with the Company and that Knauf s counsel would be in touch with Berkshire Hathaway s counsel. Ms. Scanlon provided an update on the key terms. Mr. Buffett indicated that Berkshire Hathaway would be willing to sign a voting agreement once the Company indicated it was satisfied with the terms. Ms. Scanlon spoke further with Mr. Buffett and Mr. Combs on June 8 and June 9, 2018. Representatives from Baker McKenzie negotiated the terms of the voting agreement with Berkshire Hathaway s counsel during this period.

On June 10, 2018, the Board held an in-person special board meeting, with members of the Company s senior management and representatives of Jones Day, Goldman Sachs and J.P. Morgan present, to consider the approval of the merger agreement negotiated with Knauf. During the meeting, representatives of Jones Day provided an overview of the Board s fiduciary duties to the Company s stockholders, including the Board s duties in connection with the sale of control of the Company. Representatives from Goldman Sachs and J.P. Morgan discussed their financial analyses of the total consideration proposal of $44.00 per share (including the closing consideration of $43.50 per share in cash and the conditional special dividend of $0.50 per share) and each of Goldman Sachs and J.P. Morgan rendered their respective oral opinions to the Board, subsequently confirmed in writing, that as of June 10, 2018 and subject to the various limitations, assumptions, factors and matters set forth in the written opinion, the total consideration to be paid to the Company s stockholders was fair, from a financial point of view, to such stockholders. Representatives of Goldman Sachs and J.P. Morgan indicated that their discussions with representatives of Company A and other possible bidders had all resulted in the companies confirming their inability to pursue or their lack of interest in pursuing a transaction with the Company. Representatives of Jones Day then led the Board in a discussion of the current terms and conditions of the merger agreement. After due consideration and discussion, the Board unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approved and declared advisable the merger agreement and the completion by the Company of the transactions contemplated thereby, including the execution, performance and delivery of the merger agreement, (iii) subject to the merger agreement, resolved to recommend the adoption of the merger agreement and the transactions contemplated thereby by the Company s stockholders, and (iv) directed that the merger agreement be submitted to the Company s stockholders for adoption.

Following the Board s approval of the merger agreement and the merger, on the evening of June 10, 2018, the Company, Knauf and Merger Sub executed the merger agreement and Berkshire Hathaway, Knauf and Merger Sub signed the voting agreement. On the morning of June 11, 2018, the Company and Knauf issued a joint press release announcing entry into the merger agreement.

Recommendations of the Board and Reasons for the Merger

After due consideration and discussion, the Board unanimously (i) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approved and declared advisable the merger agreement and the completion by the Company of the transactions contemplated thereby, including the execution, performance and delivery of the merger

agreement, (iii) subject to the terms of the merger agreement, resolved to recommend the adoption of the merger agreement and the transactions contemplated thereby by the Company s stockholders, and (iv) directed that the merger agreement be submitted to the Company s stockholders for adoption. **The Board unanimously recommends you vote FOR adoption of the merger agreement**.

Table of Contents

In making its determination, the Board considered a variety of factors and consulted with the Company s senior management and outside legal and financial advisors. The discussion in this section is not intended to be an exhaustive list of the information and factors considered by the Board, although it does include material factors considered by the Board. In view of the wide variety of factors considered in connection with the merger, the Board did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific material factors it considered in reaching its decision. In addition, individual members of the Board may have given different weight to different factors. The Board considered this information and these factors based on the totality of the information and factors presented in deciding to recommend the adoption of the merger agreement.

The Board considered the following positive factors relating to the merger agreement and the merger (in no particular order of weight or relative importance, but each of which the Board believes supported its decision):

Attractive Value. The Board believes that the total consideration provides stockholders with attractive value for their shares of our common stock. The Board considered the discounted cash flow valuation analysis conducted by the Company s financial advisors, as well as the historical market prices of our common stock, including the market prices of our common stock unaffected by the disclosure of Knauf s proposal, relative to the total consideration. The Board also considered the transaction value in the context of recent precedent transactions and trading multiples for the Company and the fact that the transaction value represents a multiple of approximately 11.6x of the Company s Adjusted EBITDA for the trailing twelve months ending March 31, 2018, which is above the median of such precedent transactions and above the Company s then-current trading multiple of 8.8x. In addition, the Board considered that the premium of 31% to the Company s unaffected closing price of $33.51 and the 36% premium to the $32.36 average closing price for the preceding 12-month period (both as of March 23, 2018, which was the business day immediately prior to the public announcement of Knauf s proposal to acquire the Company) were attractive compared to premia paid in recent precedent transactions. The Board also considered the possibility that, in the absence of a proposed strategic transaction with Knauf, when factoring in the cyclicality of the industry in which the Company operates, the trading price of our common stock, which historically has been volatile, may decrease in relation to its trading price prior to the initial public announcement of Knauf s proposal, as more fully described in the section entitled *Market Price of the Company s Common Stock.*

Best Alternative for Maximizing Stockholder Value. The Board considered that the transaction value was more favorable to our stockholders than the potential value that would reasonably be expected to result from other alternatives available to the Company, including the continued operation of the Company on a standalone basis and other potential actionable strategic transactions, in light of a number of factors, including:

the Board s assessment of the Company s business, assets and prospects (including the risks and opportunities associated with those prospects), its competitive position and historical and projected financial performance, and the nature of the industries in which the Company operates, including the inherently cyclical nature thereof;

the strategic and financial alternatives reasonably available that were deemed unlikely to result in value to our stockholders that would exceed, on a present-value basis, the total consideration;

the course and history of the negotiations between the Company and Knauf since November 2017, which resulted in Knauf increasing its initial proposal of $40.10 per share of common stock to its final proposal of $44.00 per share of common stock, and Knauf s communication that the total consideration (consisting of the closing consideration of $43.50 per share and the conditional special dividend of $0.50 per share payable upon receipt of stockholder approval of the adoption of the merger agreement) was its best and final offer, and that any further delay in the negotiations could result in Knauf potentially terminating or lowering its offer or commencing a hostile tender offer to acquire the Company at a lower price;

Table of Contents

risks identified by the Company s senior management to the long range plan that could negatively impact the Company s value, which include (a) a macroeconomic downturn causing housing starts to stagnate; (b) Knauf entering the U.S. market and competing against the Company; (c) a reduction in the anticipated financial benefits derived from the Company s strategic initiatives; and (d) reduced EBITDA from the UBBP joint venture; and

the anticipated future trading prices of our common stock on a standalone basis.

Greater Certainty of Value. The Board also considered that the proposed total consideration is all cash, thereby providing our stockholders with certainty of value and liquidity for their shares of our common stock, especially when viewed against the risks and uncertainties inherent in the Company s business, including risks related to the inherently cyclical industries in which the Company operates and the current challenges facing building materials manufacturers such as inflationary pressures, transportation shortages and the difficulty maintaining price improvements.

Receipt of Fairness Opinions from Goldman Sachs and J.P. Morgan. The Board considered the opinions of each of Goldman Sachs and J.P. Morgan, each dated June 10, 2018, to the Board as to the fairness, from a financial point of view, and as of the date of the opinion, to holders of our common stock of the total consideration to be paid to such holders pursuant to the merger agreement, which opinions were based upon and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken, as more fully described in the section entitled *Proposal 1: The Merger Opinions of the Company s Financial Advisors*.

No Other Proposals. The Board considered that, despite the public nature of the process with Knauf and the Company s financial advisors making outbound calls to solicit proposals from potential acquirors, the Company did not receive any proposals from third parties to acquire the Company (other than from Knauf).

Terms of the Merger Agreement. The Board also considered the terms of the merger agreement, as reviewed by the Board with the Company s legal advisors, including (in no particular order of weight or relative importance):

the likelihood that the merger will be completed, including:

the conditions required to be satisfied prior to completion of the merger are customary for transactions of this nature and can be expected to be fulfilled in the ordinary course;

the limited circumstances under which Knauf would not be required to close the merger due to an occurrence of an event that would have a material adverse effect on the Company;

the definition of material adverse effect has a number of customary carve-outs, and is generally a very high standard as applied by courts;

the parties agreed to use their reasonable best efforts to complete the merger; and

Knauf s obligation to satisfy a hell or high water antitrust standard in order to obtain all antitrust approvals (as defined below) required to complete the merger;

the Company s ability, subject to compliance with the terms and conditions of the merger agreement, under certain circumstances to furnish information to and conduct negotiations with third parties, as more fully described in the section entitled *The Merger Agreement Acquisition Proposals* ;

the Board s ability, subject to compliance with the terms and conditions of the merger agreement, to change or publicly propose to change, in a manner adverse to Knauf, its recommendation regarding adoption of the merger agreement, if, in response to an intervening event that occurs after the date of the merger agreement that does not relate to a takeover proposal and that was not known or reasonably foreseeable by the Board as of the date of the merger agreement, but which

becomes known by the Board prior to obtaining stockholder approval of the adoption of the merger agreement, the Board has determined in good faith, after consultation with its outside financial advisors and outside legal counsel, that failure to change its recommendation would be inconsistent with its fiduciary duties to the Company s stockholders under applicable law, as more fully described in the section entitled *The Merger Agreement Acquisition Proposals* ;

sufficient operating flexibility for the Company to conduct its business in the ordinary course between June 10, 2018 and completion of the merger; and

the Company s stockholders will have appraisal rights under the DGCL, as more fully described in the section entitled *Appraisal Rights* .

Special Dividend. The Board also considered the merger agreement provision permitting the Company to pay a conditional special dividend of $0.50 per share following stockholder approval of the adoption of the merger agreement and certification of the results of the stockholders meeting to all of the Company s stockholders as of the close of business on the record date of the special meeting.

Stockholder Communications. The Board considered the fact that a significant number of the Company s stockholders had urged the Company to engage with Knauf following the public disclosure of Knauf s proposal to acquire the Company for $42.00 per share.

The Board considered the following potentially negative factors relating to the merger agreement and the merger (in no particular order of weight or relative importance):

the risk that, notwithstanding the likelihood of the merger being completed, the merger might not be completed, including the effect that the pendency of the merger and such failure to be completed may have on the trading price of shares of the Company s common stock and the Company s operating results and the fact that entering into the merger agreement will trigger a call option by the UBBP joint venture partner to acquire the Company s shares in the UBBP joint venture even if the merger is not completed;

the Company will no longer exist as a publicly-traded company, and that stockholders will no longer participate (in terms of share price appreciation and dividends) in the future growth of the business, including opportunities identified by the Company s senior management to the long range plan that could positively impact the Company s value, which include the benefits from (a) pricing analytics, (b) supply chain optimization, and (c) wallboard price increases, and including any continuing growth of the general economy;

under the terms of the merger agreement, the Company cannot solicit other acquisition proposals, and the Company must pay Knauf a termination fee in connection with the merger if the merger agreement is terminated under certain circumstances (as more fully described in the section entitled *The Merger Agreement Termination*), which may deter other parties from proposing an alternative transaction that may be

more advantageous to the Company s stockholders;

gains from an all-cash transaction would generally be taxable to the Company s stockholders for U.S. federal income tax purposes;

if the merger does not close, the Company s employees will have expended extensive time and effort to attempt to complete the merger, and will have experienced significant distractions from their work during the pendency of the merger, which could impact the Company s operating results;

the conditions to Knauf s obligation to complete the merger, and the right of Knauf to terminate the merger agreement under certain circumstances, as more fully described in the section entitled *The Merger Agreement Termination* ;

the Company has incurred and will continue to incur significant transaction costs and expenses in connection with the proposed transaction, regardless of whether the merger is completed;

although the Board believed the operating restrictions contained in the merger agreement would not interfere with the Company s ability to operate in the ordinary course of business, such restrictions may prevent the Company from taking advantage of some business opportunities, such as potential acquisitions, which would be advisable if the Company were to remain an independent company;

although there is no financing contingency in the merger agreement, there are structural risks associated with leveraged acquisitions; and

the likelihood of the transaction attracting litigation in the form of stockholder suits.

This summary is not meant to be an exhaustive description of the information and factors considered by the Board, but is intended to address the most material information and factors considered by the Board. In view of the variety of factors considered by the Board, it is not possible to quantify or to give relative weights to the various factors. After taking into consideration all of the factors set forth above, as well as other factors not specifically described above, the Board unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of the Company and its stockholders, approved and declared advisable the merger agreement and the completion by the Company of the transactions contemplated thereby, including the execution, performance and delivery of the merger agreement, and directed that the merger agreement be submitted to the Company s stockholders for adoption. **The Board unanimously recommends that you vote FOR adoption of the merger agreement**.

Certain USG Unaudited Prospective Financial Information

In September 2017, as part of its ordinary course strategy review with the Board, the Company s management prepared a set of non-public, unaudited financial forecasts with respect to the Company s business, as a standalone company, for fiscal years 2018 through 2022, to inform management s formalization of the Company s long range plan. In connection with the ordinary course strategy review with the Board, the Company s management updated these forecasts in January 2018 to reflect items such as the completion of the Company s acquisition of Ceilings Plus in November 2017 and a change to the Company s Performance Materials division (the updated forecasts, the Company Projections). The Board and, as described under the section entitled *Proposal 1: The Merger Opinions of the Company s Financial Advisors*, the Company s financial advisors reviewed the Company Projections in connection with their respective consideration and evaluation of the merger. The Company Projections were also provided to Knauf during the course of its due diligence review of the Company.

The Company does not as a matter of course make public projections as to future performance due to, among other reasons, the inherent difficulty of accurately predicting financial performance for future periods and the uncertainty of underlying assumptions and estimates. We are including in this proxy statement a summary of the Company Projections, without giving effect to the merger, to give Company stockholders access to certain non-public information provided to the Board, the Company s financial advisors and Knauf for purposes of considering and evaluating the merger. This unaudited prospective financial information differs from the information presented at the Company s Investor Day, which the Company believes was more conservative than the Company Projections. The inclusion of the summary of the Company Projections should not be regarded as an indication that the Company, Knauf, Merger Sub or any of their respective boards of directors or representatives or any other recipient of this information considered, or now considers, it to be an assurance of the achievement of future results or an accurate prediction of future results, and the summary of the Company Projections should not be relied on as such.

The Company Projections are based on a variety of estimates and assumptions of our senior management regarding our business, industry performance, cyclicality of the industry, general business, economic, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond our control. In particular, the Company Projections were prepared on the assumption that the Company remained a standalone company and were based on numerous other assumptions that may now be outdated. Multiple factors,

including those described in the section entitled *Cautionary Statement Concerning Forward-Looking Statements*, could cause the Company Projections or the underlying assumptions to be inaccurate. As a result, there can be no assurance that the Company Projections will be realized or that actual results will not be significantly higher or lower than projected. Because the Company Projections cover multiple years, such information by its nature becomes less reliable with each successive year. The Company Projections do not take into account any circumstances or events occurring after the date on which they were prepared. Economic and business environments can and do change quickly, which adds an additional significant level of uncertainty as to whether the results portrayed in the Company Projections will be achieved. The inclusion of a summary of the Company Projections in this proxy statement does not constitute an admission or representation by the Company or any other person that the information is material. The summary of the Company Projections is not provided to influence Company stockholders decisions regarding whether to vote for adoption of the merger agreement or any other proposal.

The Company Projections were not prepared with a view toward public disclosure or toward compliance with U.S. generally accepted accounting principles (U.S. GAAP), published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Deloitte & Touche LLP (Deloitte), the Company s independent registered public accounting firm, nor any other accounting firm, has examined, compiled or performed any procedures with respect to the Company Projections, and accordingly, Deloitte does not express an opinion or any other form of assurance with respect thereto. The Deloitte report incorporated by reference in this proxy statement relates to the Company s historical financial information. It does not extend to the prospective financial information contained herein and should not be read to do so.

The Company Projections include non-GAAP financial measures, which should not be viewed as a substitute for, or superior to, U.S. GAAP financial measures and may be different from non-GAAP financial measures used by other companies. Furthermore, there are limitations inherent in non-GAAP financial measures because they exclude items, including charges and credits, that are required to be included in a U.S. GAAP presentation.

The following is a summary of the Company Projections:

Summary of the Company Projections

(dollars in millions)

	2018	2019	2020	2021	2022
Sales	$ 3,450	$ 3,704	$ 4,074	$ 4,451	$ 4,787
Adjusted Operating Profit(1)	$ 435	$ 616	$ 782	$ 940	$ 1,076
Adjusted EBITDA(2)	$ 657	$ 853	$ 1,035	$ 1,209	$ 1,358
Free Cash Flow (pre-Tax)(3)	$ 254	$ 436	$ 646	$ 846	$ 978

(1) Adjusted Operating Profit is a non-GAAP financial measure defined for purposes of the Company Projections as operating profit plus pension settlement charges, restructuring and asset impairment charges and adjusted equity income from the UBBP joint venture.

(2) Adjusted EBITDA is a non-GAAP financial measure defined for purposes of the Company Projections as net income less loss from discontinued operations, net of tax; plus interest expense, net; plus income tax expense; plus depreciation, depletion and amortization; plus share-based compensation expense; plus asset retirement

obligation accretion expense; plus pension settlement charges; plus loss on extinguishment of debt; less the Company s equity income from the UBBP joint venture; and plus the Company s share of UBBP joint venture Adjusted EBITDA.

(3) Free Cash Flow (pre-Tax) is a non-GAAP financial measure defined for purposes of the Company Projections as cash flow from operations, minus capital expenditures plus cash taxes.

The Company Projections do not take into account the possible financial and other effects on the Company of the merger and do not attempt to predict or suggest future results of the combined company. The Company Projections do not give effect to the merger, including the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with completing the merger, whether any synergies are achieved by the combined company as a result of the merger, the effect on the Company of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect of any business or strategic decisions or actions that would likely have been taken if the merger agreement had not been executed, but that were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the Company Projections do not take into account the effect on the Company of any possible failure of the merger to occur.

For the foregoing reasons as well as the uncertainties inherent in any forecasting information, readers of this proxy statement are cautioned not to place unwarranted reliance on the Company Projections set forth above. No one has made or makes any representation to any stockholder regarding the information included in the Company Projections. The Company urges all Company stockholders to review its most recent SEC filings for a description of its reported financial results. See the section entitled *Where You Can Find Additional Information*.

In addition, the Company Projections have not been updated or revised to reflect information or results after the date the Company Projections were prepared or as of the date of this proxy statement, or to reflect financial results or targets issued by the Company after the date the Company Projections were prepared, and except as required by applicable securities laws, the Company does not intend to update or otherwise revise the Company Projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error. The Company Projections have also not been updated or revised to reflect illustrative risks and opportunities that have been considered, including risks such as a reduced macroeconomic environment in the United States, Asia, and Australia, new market entrants, or reduced benefits from strategic initiatives and opportunities such as pricing analytics, wallboard price improvements and reduced supply chain costs.

Opinions of the Company s Financial Advisors

We retained Goldman Sachs and J.P. Morgan as financial advisors to the Board in connection with the merger. In connection with this engagement, the Board requested that Goldman Sachs and J.P. Morgan deliver the respective opinions described below.

Opinion of Goldman Sachs & Co. LLC

Pursuant to an engagement letter dated March 16, 2018, the Company retained Goldman Sachs as its financial advisor in connection with the transaction.

Goldman Sachs rendered its opinion to the Board that, as of June 10, 2018 and based upon and subject to the factors and assumptions set forth therein, the total consideration to be paid to the holders (other than Knauf and its affiliates) of shares of common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated June 10, 2018, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided advisory services and its opinion for the information and assistance of the Board in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of common stock should vote with respect to the transaction, or any other matter.

Table of Contents

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the merger agreement;
- annual reports to stockholders and Annual Reports on Form 10-K of the Company for the five years ended December 31, 2017;
- certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company;
- certain publicly available research analyst reports for the Company;
- certain other communications from the Company to its stockholders; and
- certain internal financial analyses and forecasts for the Company, including certain internal financial analyses and forecasts for the UBBP joint venture and certain internal analyses and forecasts for net operating losses and other tax attributes of the Company, in each case, as prepared by the management of the Company and approved for Goldman Sachs use by the Company (referred to in this section of the proxy statement as the Forecasts).

Goldman Sachs also held discussions with members of the senior management of the Company regarding their assessment of the past and current business operations, financial condition and future prospects of the Company; reviewed the reported price and trading activity for the common stock; compared certain financial and stock market information for the Company with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain recent business combinations in the building products industry and in other industries; and performed such other studies and analyses, and considered such other factors, as it deemed appropriate.

For purposes of rendering this opinion, Goldman Sachs, with the Company s consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, it, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs assumed with the Company s consent that the Forecasts were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of the Company and it was not furnished with any such evaluation or appraisal. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the transaction will be obtained without any adverse effect on the expected benefits of the transaction in any way meaningful to its analysis. Goldman Sachs has also assumed that following the receipt of the stockholder approval and prior to the effective time of the transaction, the Company will declare and pay the conditional special dividend to all the holders of shares of common stock as contemplated by the merger agreement and that the transaction will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs opinion does not address the underlying business decision of the Company to engage in the transaction or the relative merits of the transaction as compared to any strategic alternatives that may be available to the Company; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs opinion addresses only the fairness from a financial point of view, as of the date of the opinion, of the total consideration to be paid to the holders (other than Knauf and its affiliates) of shares of common stock pursuant to the merger agreement. Goldman Sachs opinion does not express any view on, and does not address, any other term or aspect of the merger agreement or the transaction or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the transaction, including, any allocation of the total consideration, the fairness of the transaction to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of the Company; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the

officers, directors or employees of the Company or class of such persons in connection with the transaction, whether relative to the total consideration to be paid to the holders (other than Knauf and its affiliates) of shares of common stock pursuant to the merger agreement or otherwise. Goldman Sachs does not express any opinion as to the impact of the transaction on the solvency or viability of the Company or Knauf or the ability of the Company or Knauf to pay their respective obligations when they come due. Goldman Sachs opinion was necessarily based on economic, monetary market and other conditions, as in effect on, and the information made available to it as of the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs advisory services and its opinion were provided for the information and assistance of the Board in connection with its consideration of the transaction and its opinion does not constitute a recommendation as to how any holder of shares of common stock should vote with respect to such transaction or any other matter. Goldman Sachs opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the Board in connection with rendering the opinion of Goldman Sachs described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before June 8, 2018, the last trading day before the public announcement of the transaction, and is not necessarily indicative of current market conditions.

Historical Stock Trading Analysis. Goldman Sachs reviewed the historical trading prices and volumes for the shares of common stock for the 52-week period ended March 23, 2018, the last trading day prior to Knauf s and Berkshire Hathaway s Schedule 13Ds related to Berkshire Hathaway s proposal to grant Knauf an option to purchase all of the shares of the Company s common stock (the last undisturbed trading day). In addition, Goldman Sachs analyzed the total consideration to be paid to holders of common stock pursuant to the merger agreement in relation to (i) the closing prices of common stock on June 8, 2018, the last trading day prior to public announcement of the transaction, and March 23, 2018, the last undisturbed trading day, (ii) the high closing price of common stock for the 52-week period ended on the last undisturbed trading day, (iii) the volume weighted average prices (the VWAP) of common stock during the one-month and three-month periods ended on the last undisturbed trading day and (iv) the median analyst price target as of the last undisturbed trading day.

This analysis indicated that the total consideration to be paid to the Company stockholders pursuant to the merger agreement represented:

- a premium of 6.2% to the closing price of $41.44 per share of common stock on June 8, 2018;
- a premium of 31.2% to the closing price of $33.51 per share of common stock on the last undisturbed trading day;
- a premium of 7.8% to the high closing price of $40.82 per share of common stock for 52-week period ended on the last undisturbed trading day;

a premium of 28.3% to the VWAP of the common stock for the one-month period ended on the last undisturbed trading day of $34.30 per share of common stock;

a premium of 20.5% to the VWAP of the common stock for the three-month period ended on the last undisturbed trading day of $36.51 per share of common stock; and

a premium of 17.3% to the median analyst price target for the common stock of $37.50 per share of common stock as of the last undisturbed trading day.

Selected Companies Analysis. Goldman Sachs reviewed and compared certain financial information for the Company to corresponding financial information, ratios and public market multiples for the following publicly-traded corporations in the building products industry (collectively referred to in this analysis as the selected companies):

Armstrong World Industries, Inc.

Continental Buildings Products, Inc.

Eagle Materials Inc.

Owens Corning

Compagnie de Saint-Gobain S.A.

Although none of the selected companies is directly comparable to the Company, the companies included were chosen because they are publicly-traded companies with operations that for purposes of analysis may be considered similar to certain operations of the Company.

Goldman Sachs calculated enterprise value as a multiple of estimated EBITDA (defined as earnings before interest, taxes, depreciation and amortization) calendarized to year end 2018 and 2019 for the selected companies based on information contained in the selected companies public filings and obtained from Bloomberg and Institutional Brokers Estimate System (IBES) estimates. The multiples of the selected companies were calculated using closing prices on June 8, 2018 and were calculated using IBES estimates. The following table presents the results of this analysis:

Company	2018E EV/EBITDA	2019E EV/EBITDA
Armstrong World Industries, Inc.	11.5x	10.5x
Continental Building Products, Inc.	9.6x	8.9x
Eagle Materials Inc.	11.7x	10.4x
Owens Corning	7.7x	7.0x
Compagnie de Saint-Gobain S.A.	7.1x	6.6x

Illustrative Discounted Cash Flow Analysis. Using the Forecasts, Goldman Sachs performed an illustrative discounted cash flow analysis to derive a range of illustrative present values per share of common stock. In connection with this analysis, Goldman Sachs performed separate illustrative discounted cash flow analyses of: (i) the Company, excluding the Company s ownership stake in the UBBP joint venture and excluding the value of USG s net operating losses (NOLs) and other tax attributes (USG NA), (ii) the Company s ownership interest in the UBBP joint venture and (iii) the estimated benefits of the Company s NOLs and other tax attributes discounted to present value.

Using discount rates ranging from 9.5% to 10.5%, reflecting estimates of the weighted average cost of capital for the Company, Goldman Sachs discounted to present value as of March 31, 2018 (i) estimates of unlevered free cash flow for USG NA for April 1, 2018 through December 31, 2022 as reflected in the Forecasts and (ii) a range of illustrative terminal values for USG NA, which were calculated by applying perpetuity growth rates ranging from 2.0% to 3.0%,

to a terminal year estimate of the unlevered free cash flow to be generated by USG NA as provided by the Company management. Goldman Sachs derived such discount rates by application of the Capital Asset Pricing Model, which requires certain company-specific inputs, including the Company s target capital structure weightings, the cost of long-term debt, after-tax yield on permanent excess cash, if any, future applicable marginal cash tax rate and a beta for the Company, as well as certain financial metrics for the United States financial markets generally. The range of perpetuity growth rates was estimated by Goldman Sachs utilizing its professional judgment and experience, taking into account the Forecasts and market expectations regarding long-term real growth of gross domestic product and inflation. Goldman Sachs derived a range of illustrative enterprise values for USG NA by adding the range of present values derived above. Goldman Sachs

then subtracted from the range of illustrative enterprise values it derived for USG NA the amount of the Company s net debt and after-tax underfunded pension and postretirement liabilities as of March 31, 2018 as provided by the Company management to derive a range of illustrative equity values for USG NA.

Using discount rates ranging from 10.0% to 11.0%, reflecting estimates of the weighted average cost of capital for the UBBP joint venture, Goldman Sachs discounted to present value as of March 31, 2018 (i) estimates of unlevered free cash flow for the UBBP joint venture for April 1, 2018 through December 31, 2022 as provided by the Company management and (ii) a range of illustrative terminal values for the UBBP joint venture, which were calculated by applying perpetuity growth rates ranging from 3.0% to 4.0%, to a terminal year estimate of the unlevered free cash flow to be generated by the UBBP joint venture, as provided by the Company management. Goldman Sachs derived such discount rates by application of the methodologies described above and applying a country risk premium. The range of perpetuity growth rates was estimated by Goldman Sachs utilizing its professional judgment and experience, taking into account the Forecasts and market expectations regarding long-term real growth of gross domestic product and inflation. Goldman Sachs derived a range of illustrative enterprise values for the UBBP joint venture by adding the range of present values derived above. Goldman Sachs then subtracted from the range of illustrative enterprise values it derived for the UBBP joint venture the amount of the UBBP joint venture s net debt as of March 31, 2018 as provided by the Company management to derive a range of illustrative equity values for the UBBP joint venture. Goldman Sachs then multiplied the range of illustrative equity values for the UBBP joint venture by 0.50 to derive a range of illustrative equity values for the Company s ownership stake in the UBBP joint venture.

In addition, using discount rates ranging from 9.5% to 10.5%, reflecting estimates of the weighted average cost of capital for the Company, Goldman Sachs discounted to present value as of March 31, 2018 the estimated benefits of the Company s NOLs and other tax attributes for April 1, 2018 through December 31, 2032 as provided by the Company management. Goldman Sachs noted that the range of illustrative aggregate enterprise values for USG NA, the Company s ownership stake in the UBBP joint venture and the Company s NOLs and other tax attributes implied a range of terminal enterprise value/EBITDA multiples of 7.5x to 9.9x. Goldman Sachs added the range of illustrative equity values for USG NA, for the Company s ownership stake in the UBBP joint venture and for the Company s NOLs and other tax attributes to derive a range of illustrative aggregate equity values for the Company. Goldman Sachs then divided the range of illustrative equity values it derived by the number of fully diluted outstanding shares of the Company, as provided by the Company management, to derive a range of illustrative present values per share ranging from $41 to $53, in each case rounded to the nearest dollar.

Selected Transactions Analysis. Goldman Sachs analyzed certain information relating to the following selected all-cash transactions in the building products industry. For each of the selected transactions, Goldman Sachs calculated and compared the estimated transaction enterprise value as a multiple of the target company s EBITDA as reported or calculated using publicly available financial information for the relevant twelve-month period (EV/LTM EBITDA multiples) of the applicable transaction.

Table of Contents

While none of the companies that participated in the selected transactions are directly comparable to the Company, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of the Company s results, market size and product profile. The following table presents the results of this analysis:

Date	Target	Acquiror	Implied EV/LTM EBITDA Multiple
July 2011	Lafarge S.A. (Australia)	Knauf Gips KG	9.2x
August 2011	Lafarge S.A. (Asia joint venture stake)	Boral Limited	13.8x
June 2013	Lafarge S.A (Continental Building Products)	Lone Star Funds	9.3x
October 2013	Boral Limited (stake in joint venture)	USG Corporation	10.6x
August 2015	CR Laurence Co. Inc.	CRH PLC	11.3x
May 2017	Pittsburgh Corning Corp.	Owens Corning	9.0x
October 2017	Paroc Group	Owens Corning	11.0x
November 2017	Armstrong World Industries, Inc. (EMEA & Pacific Rim)	Knauf International GmbH	12.7x
January 2018	Ply Gem Holdings, Inc.	Clayton Dubilier & Rice	10.0x

Goldman Sachs applied an illustrative range of EV/LTM EBITDA multiples of 9.0x to 11.5x to estimated EBITDA of the Company for the twelve-month period ended March 31, 2018 as provided by the Company management to derive a range of illustrative implied values of $33 to $44 per share of common stock, in each case rounded to the nearest dollar.

Premia Analysis. Goldman Sachs reviewed and analyzed, using publicly available information, the acquisition premia for all-cash acquisition transactions announced from January 2013 through June 8, 2018 involving a U.S. public company target where the disclosed enterprise value for the transaction was between $4 billion and $10 billion. This analysis excluded transactions in the financial institutions and real estate sectors, transactions where the target was a master limited partnership and withdrawn transactions. For the entire period, using publicly available information, Goldman Sachs calculated the premium of the per share price paid in each of the transactions relative to the target s undisturbed closing stock price. This analysis indicated a range of illustrative premia of 25% to 44%. Goldman Sachs then applied the reference range of illustrative premia to the closing price per share of common stock of $33.51 on the last undisturbed trading day and calculated a range of implied equity values per share of common stock of $42 to $48, in each case rounded to the nearest dollar.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to the Company or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to the Board as to the fairness from a financial point of view of the total consideration to be paid to the holders (other than Knauf and its affiliates) of shares of common stock pursuant to the merger agreement. These analyses do not purport to be appraisals

nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of the Company, Knauf, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The total consideration was determined through arm s-length negotiations between the Company and Knauf and was approved by the Board. Goldman Sachs provided advice to the Company during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to the Company or the Board or that any specific amount of consideration constituted the only appropriate consideration for the transaction.

As described above, Goldman Sachs opinion to the Board was one of many factors taken into consideration by the Board in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex B.

Goldman Sachs and its affiliates are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman Sachs and its affiliates and employees, and funds or other entities in which they invest or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of the Company, Knauf, any of their respective affiliates and third parties, including Berkshire Hathaway, a significant shareholder of the Company, or any currency or commodity that may be involved in the transaction contemplated by the merger agreement for the accounts of Goldman Sachs and its affiliates and employees and their customers. Goldman Sachs acted as financial advisor to the Company in connection with, and participated in certain of the negotiations leading to, the transaction contemplated by the merger agreement. Goldman Sachs has provided certain financial advisory and/or underwriting services to the Company and/or its affiliates from time to time for which the Investment Banking Division of Goldman Sachs has received, and may receive, compensation, including having acted as financial advisor to the Company in connection with the sale of L&W Supply Corporation, a former subsidiary of the Company, in October 2016 and joint bookrunner with respect to 4.875% senior notes due 2027 (aggregate principal amount of $500,000,000) for the Company in May 2017. During the two year period ended June 10, 2018, Goldman Sachs has recognized compensation for financial advisory and/or underwriting services provided by its Investment Banking Division to the Company and/or its affiliates of approximately $2.7 million. During the two year period ended June 10, 2018, the Investment Banking Division of Goldman Sachs has not been engaged by Knauf or its affiliates to provide financial advisory or underwriting services for which Goldman Sachs has received compensation. Goldman Sachs has provided certain financial advisory and/or underwriting services to Berkshire Hathaway and/or its affiliates and portfolio companies from time to time for which the Investment Banking Division of Goldman Sachs has received, and may receive, compensation, including having acted as joint bookrunner with respect to 1.150% senior notes due 2018 (aggregate principal amount $500,000,000), floating rate senior notes due 2018 (aggregate principal amount $250,000,000), 1.300% guaranteed senior notes due 2019 (aggregate principal amount $1,000,000,000) and floating rate guaranteed senior notes due 2019 (aggregate principal amount $250,000,000) for Berkshire Hathaway in August 2016; joint bookrunner with respect to floating rate guaranteed senior notes due 2019 and 2020 (aggregate principal amount $1,300,000,000), 0.250% senior notes due 2021 and 0.625% senior notes due 2023 (aggregate principal amount EUR1,100,000,000) for Berkshire Hathaway in January 2017; joint bookrunner with respect to 3.250% senior unsecured debentures due 2027 and 4.125% senior unsecured debentures due 2047 (aggregate principal amount $1,250,000,000) for Burlington Northern Santa Fe Corporation, a portfolio company of Berkshire Hathaway, in March 2017; joint bookrunner with respect to floating rate guaranteed senior notes due 2022, 2021 and 2019 (aggregate principal amount $1,500,000,000) for the Kraft Heinz Food Company, a portfolio company of Berkshire Hathaway, in August 2017; joint bookrunner with respect to 4.050% senior unsecured debentures due 2048 (aggregate principal amount $750,000,000) for Burlington Northern Santa Fe Corporation in February 2018; dealer with respect to a guaranteed commercial paper program for NetJets Inc., a portfolio company of Berkshire Hathaway, until March 2018; and joint bookrunner with respect to 3.375% senior notes due 2021, 4.000% senior notes due 2023, and 4.625% senior notes due 2029 (aggregate principal amount $3,000,000,000) for the Kraft Heinz Food Company in June 2018. During the two year period ended June 10, 2018, Goldman Sachs has recognized

compensation for financial advisory and/or underwriting services provided by its Investment Banking Division to Berkshire Hathaway and/or its affiliates and portfolio companies of approximately $5.8 million. Goldman Sachs may also in the future

provide financial advisory and/or underwriting services to the Company, Knauf, Berkshire Hathaway and their respective affiliates and/or portfolio companies for which Goldman Sachs Investment Banking Division may receive compensation. Goldman Sachs and its affiliates also may have co-invested with Berkshire Hathaway and its affiliates from time to time and may do so in the future.

The Board selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction. Pursuant to a letter agreement dated March 16, 2018, the Company engaged Goldman Sachs to act as its financial advisor in connection with the transaction. The engagement letter between the Company and Goldman Sachs provides for a transaction fee that is estimated, based on the information available as of the date of announcement, to be approximately $31 million, of which $125,000 has been paid as of July 20, 2018, and the principal portion of which is contingent upon consummation of the transaction. In addition, the Company has agreed to reimburse Goldman Sachs for certain of its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Opinion of J.P. Morgan Securities LLC

Pursuant to an engagement letter dated February 14, 2018, the Company retained J.P. Morgan as its financial advisor in connection with the transaction.

At the meeting of the Board on June 10, 2018, J.P. Morgan rendered its oral opinion to the Board that, as of such date and based upon and subject to the factors and assumptions set forth in its opinion, the total consideration to be paid to the holders of shares of common stock in the transaction was fair, from a financial point of view, to such holders. J.P. Morgan has confirmed its June 10, 2018 oral opinion by delivering its written opinion to the Board, dated the date of such opinion, that, as of such date, the total consideration to be paid to the holders of shares of common stock in the transaction was fair, from a financial point of view, to such holders.

The full text of the written opinion of J.P. Morgan dated June 10, 2018, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached as Annex C to this proxy statement and is incorporated herein by reference. The summary of the opinion of J.P. Morgan set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. The Company s stockholders are urged to read the opinion in its entirety. J.P. Morgan s written opinion was addressed to the Board (in its capacity as such) in connection with and for the purposes of its evaluation of the transaction, was directed only to the total consideration to be paid in the transaction and did not address any other aspect of the transaction. J.P. Morgan expressed no opinion as to the fairness of the consideration to the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the transaction. The issuance of J.P. Morgan s opinion was approved by a fairness committee of J.P. Morgan. The opinion does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the transaction or any other matter.

In arriving at its opinion, J.P. Morgan, among other things:

reviewed a draft dated June 10, 2018 of the merger agreement;

reviewed certain publicly available business and financial information concerning the Company and the industries in which it operates;

compared the proposed financial terms of the transaction with the publicly available financial terms of certain transactions involving companies J.P. Morgan deemed relevant and the consideration paid for such companies;

compared the financial and operating performance of the Company with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and

historical market prices of the common stock and certain publicly-traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the management of the Company; and

performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

In addition, J.P. Morgan held discussions with certain members of the management of the Company with respect to certain aspects of the transaction, and the past and current business operations of the Company, the financial condition and future prospects and operations of the Company, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by the Company or otherwise reviewed by or for J.P. Morgan. J.P. Morgan did not independently verify any such information or its accuracy or completeness and, pursuant to J.P. Morgan s engagement letter with the Company, J.P. Morgan did not assume any obligation to undertake any such independent verification. J.P. Morgan did not conduct or was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of the Company or Knauf under any applicable laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to J.P. Morgan or derived therefrom, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or forecasts or the assumptions on which they were based. J.P. Morgan also assumed that immediately following the receipt of the stockholder approval and prior to the effective time of the transaction, the Company will declare and pay the conditional special dividend to all the holders of shares of common stock as contemplated by the merger agreement and that the transaction and the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respect from the draft thereof provided to J.P. Morgan. J.P. Morgan also assumed that the representations and warranties made by the Company, Knauf and Merger Sub in the merger agreement and the related agreements were and will be true and correct in all respects material to its analysis. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to the Company with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the transaction will be obtained without any adverse effect on the Company or on the contemplated benefits of the transaction.

J.P. Morgan s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of such opinion. J.P. Morgan s opinion noted that subsequent developments may affect J.P. Morgan s opinion, and that J.P. Morgan does not have any obligation to update, revise, or reaffirm such opinion. J.P. Morgan s opinion is limited to the fairness, from a financial point of view, of the total consideration to be paid to the holders of shares of common stock in the transaction, and J.P. Morgan has expressed no opinion as to the fairness of any consideration to the holders of any other class of securities, creditors or other constituencies of the Company or the underlying decision by the Company to engage in the transaction. Furthermore, J.P. Morgan expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the transaction, or any class of such persons relative to consideration to be paid to the holders of shares of common stock in the transaction or with respect to the fairness of any such compensation.

The terms of the merger agreement were determined through arm s length negotiations between the Company and Knauf, and the decision to enter into the merger agreement was solely that of the Board. J.P. Morgan s opinion and financial analyses were only one of the many factors considered by the Board in its

evaluation of the transaction and should not be viewed as determinative of the views of the Board or management of the Company with respect to the transaction or the consideration to be paid in the transaction.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methodology in rendering its opinion to the Board on June 10, 2018 and contained in the presentation delivered to the Board on such date in connection with the rendering of such opinion and this summary does not purport to be a complete description of the analyses or data presented by J.P. Morgan. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by J.P. Morgan, the tables must be read together with the full text of each summary. Considering the data set forth below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of J.P. Morgan s analyses.

Public Trading Multiples.

Using publicly available information, J.P. Morgan compared selected financial data of the Company with similar data for selected publicly-traded companies engaged in businesses which J.P. Morgan judged to be analogous to the Company. The companies selected by J.P. Morgan were:

Armstrong World Industries, Inc.

Continental Buildings Products, Inc.

Eagle Materials Inc.

Owens Corning

Compagnie de Saint-Gobain S.A.

None of the selected companies reviewed is identical to the Company. Certain of these companies may have characteristics that are materially different from those of the Company. However, the companies were selected, among other reasons, because they are publicly-traded companies with operations and businesses that, for purposes of J.P. Morgan s analysis, may be considered similar to those of the Company. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies differently than they would affect the Company.

Using publicly available information from Bloomberg and IBES, J.P. Morgan calculated for each selected company, the ratio of such company s firm value (calculated as the market value of the Company s common stock on a fully diluted basis, plus any debt and minority interest, less cash and cash equivalents) to the equity research analyst estimate for such company s EBITDA (defined as earnings before interest, taxes, depreciation and amortization) calendarized to year end 2018 (the 2018E EV/EBITDA) and the ratio of such company s firm value to the equity research analyst estimate for the company s estimated EBITDA calendarized to year end 2019 (the 2019E EV/EBITDA). The following table represents the results of this analysis:

Company	2018E EV/EBITDA	2019E EV/EBITDA
Armstrong World Industries, Inc.	11.5x	10.5x
Continental Building Products, Inc.	9.6x	8.9x
Eagle Materials Inc.	11.7x	10.4x
Owens Corning	7.7x	7.0x
Compagnie de Saint-Gobain S.A.	7.1x	6.6x

Based on the results of this analysis and other factors which J.P. Morgan considered appropriate based on its experience and judgment, J.P. Morgan selected multiple reference ranges for the Company of 9.0x to 10.5x and 8.0x to 9.5x for 2018E EV/EBITDA and 2019E EV/EBITDA, respectively.

Table of Contents

After applying this range to the Company s estimated EBITDA for the fiscal years ended December 31, 2018 and December 31, 2019 based on the Company Projections (as defined in the section entitled *Certain USG Unaudited Prospective Financial Information*), the analysis indicated the following implied per share equity value ranges for the common stock:

	Implied Per Share Equity Value (rounded to the nearest $0.25)	
	Low	**High**
2018E EV/EBITDA	$ 36.25	$ 43.00
2019E EV/EBITDA	$ 42.50	$ 51.50

The ranges of implied per share equity value were compared to (i) the closing price of the common stock on the last undisturbed trading day and (ii) the total consideration.

Discounted Cash Flow Analysis.

J.P. Morgan conducted a discounted cash flow analysis for the purpose of determining an implied equity value per share of the common stock. A discounted cash flow analysis is a method of evaluating an asset using estimates of the future cash flows generated by the asset and taking into consideration the time value of money with respect to those cash flows by calculating their present value. Present value refers to the current value of the cash flows generated by the asset, and is obtained by discounting those cash flows back to the present using a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital and other appropriate factors. Terminal value refers to the present value of all future cash flows generated by the asset for periods beyond the projections period.

J.P. Morgan calculated the unlevered free cash flows that USG NA is expected to generate for April 1, 2018 through December 31, 2022, using the Company Projections. J.P. Morgan also calculated a range of terminal values of the Company at the end of the five-year period ending 2022 by applying a terminal value growth rate ranging from 2.0% to 3.0% to the unlevered free cash flow of USG NA during the terminal period of the projections and then the unlevered free cash flows and the range of terminal values were then discounted to present values as of March 31, 2018 using a range of discount rates from 9.25% to 10.25%, which range was chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of the Company. J.P. Morgan derived a range of illustrative enterprise values for USG NA by adding the range of present values derived above. J.P. Morgan then subtracted from the range of illustrative enterprise values it derived for USG NA the amount of the Company s net debt as of March 31, 2018 as provided by the Company management to derive a range of illustrative equity values for USG NA.

Using the Company Projections, J.P. Morgan separately calculated the unlevered free cash flows that the UBBP joint venture is expected to generate for April 1, 2018 through December 31, 2022. J.P. Morgan also calculated a range of terminal values of the UBBP joint venture at the end of the five-year period ending 2022 by applying a terminal value growth rate ranging from 3.0% to 4.0% to the unlevered free cash flow of the UBBP joint venture during the terminal period of the projections, and the unlevered free cash flows and the range of terminal values were then discounted to present values as of March 31, 2018 using a range of discount rates from 9.75% to 10.75%, which range was chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of the UBBP joint venture. J.P. Morgan derived range of illustrative enterprise values for the UBBP joint venture by adding the range of present values derived above. J.P. Morgan then subtracted from the range of illustrative enterprise values it derived for the UBBP

joint venture the amount of the UBBP joint venture s net debt as of March 31, 2018 as provided by the Company management to derive a range of illustrative equity values for the UBBP joint venture. J.P. Morgan then multiplied the range of illustrative equity values for the UBBP joint venture by 0.50 to derive a range of illustrative equity values for the Company s ownership stake in the UBBP joint venture.

Finally, using the Company Projections, J.P. Morgan discounted to present value as of March 31, 2018 the estimated benefits of the Company s NOLs and other tax attributes, for April 1, 2018 through December 31, 2032, using a range of discount rates from 9.25% to 10.25%, which range was chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital for the Company. J.P. Morgan then added the range of illustrative equity values for USG NA, the Company s ownership stake in the UBBP joint venture and the Company s NOLs and other tax credits to derive a range of illustrative aggregate equity values for the Company.

Based on the foregoing, this analysis indicated an implied per share equity value range for shares of common stock of $42.09 to $55.25 each of which was compared to (i) the closing price of the common stock on the last undisturbed trading day and (ii) the total consideration.

Selected Transactions Analysis.

Using publicly available information, J.P. Morgan reviewed selected transactions involving acquired business in the building products industry that, for purposes of J.P. Morgan s analysis and based on its experience and judgment, were considered similar to the Company s business and calculated, for each selected transaction, the ratio of the target company s transaction value to the target company s EBITDA as reported or calculated using publicly available financial information for the relevant twelve-month period of the applicable transaction (TV/LTM EBITDA).

Date	**Target**	**Acquiror**	**TV/LTM EBITDA**
July 2011	Lafarge S.A. (Australia)	Knauf Gips KG	9.2x
August 2011	Lafarge S.A. (Asia joint venture stake)	Boral Limited	13.8x
June 2013	Lafarge S.A (Continental Building Products)	Lone Star Funds	9.3x
October 2013	Boral Limited (stake in joint venture)	USG Corporation	10.6x
August 2015	CR Laurence Co. Inc.	CRH PLC	11.3x
May 2017	Pittsburgh Corning Corp.	Owens Corning	9.0x
October 2017	Paroc Group	Owens Corning	11.0x
November 2017	Armstrong World Industries, Inc. (EMEA & Pacific Rim)	Knauf International GmbH	12.7x
January 2018	Ply Gem Holdings, Inc.	Clayton Dubilier & Rice	10.0x

None of the selected transactions reviewed was identical to the transaction. Certain of these transactions may have characteristics that are materially different from those of the transaction. However, the transactions selected were chosen because the participants in, and certain other aspects of, the transactions, for purposes of J.P. Morgan s analysis, may be considered similar to the participants in and aspects of the transaction. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the transactions differently than they would affect the transaction.

Based on the results of this analysis, J.P. Morgan selected a multiple reference range of 9.0x to 11.5x for TV/LTM EBITDA and applied it to the Company s EBITDA for the twelve-month period ended March 31, 2018 as provided by the Company management. The analysis indicated an implied per share equity value range for shares of common stock of $33.00 to $43.75, in each case rounded to the nearest $0.25, which was compared to (i) the closing price of the common stock on the last undisturbed trading day and (ii) the total consideration.

Other Information.

Historical Trading Range. J.P. Morgan reviewed the 52-week trading range of the common stock for the period ending on the last undisturbed trading day, which was $25.78 to $40.82 per share, and compared that to (i) the closing price of the common stock on the last undisturbed trading day and (ii) the total consideration.

Analysts Price Targets. J.P. Morgan reviewed the price targets of public equity research analysts for the Company, which provided a reference of $29.00 to $44.00 per share, with a median price target of $37.50 per share, as of March 23, 2018, and compared that to (i) the closing price of the common stock on the last undisturbed trading day and (ii) the total consideration.

J.P. Morgan noted that the historical stock trading range analyses and analyst price targets noted above were presented merely for reference purposes only and were not relied upon for valuation purposes.

Miscellaneous

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above were merely utilized to create points of reference for analytical purposes and should not be taken to be the view of J.P. Morgan with respect to the actual value of the Company. The order of analyses described does not represent the relative importance or weight given to those analyses by J.P. Morgan. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion.

Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, J.P. Morgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be acquired or sold. None of the selected companies reviewed as described in the above summary is identical to the Company, and none of the selected transactions reviewed was identical to the transaction. However, the companies selected were chosen because they are publicly-traded companies with operations and businesses that, for purposes of J.P. Morgan s analysis, may be considered similar to those of the Company. The transactions selected were similarly chosen because their participants, size and other factors, for purposes of J.P. Morgan s analysis, may be considered similar to the transaction. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to the Company and the transactions compared to the transaction.

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. J.P. Morgan was selected to advise the Company with respect to the transaction on the basis of, among other things, such experience and its qualifications and reputation in connection with such matters and its familiarity with the Company and the industries in which it operates.

J.P. Morgan received a fee from the Company of $3 million in connection with the delivery of its opinion. The Company has agreed to pay J.P. Morgan a transaction fee that is estimated, based on the information available as of the date of announcement, to be approximately $31 million, against which the opinion fee will be credited, upon the

consummation of the transaction. In addition, the Company has agreed to reimburse J.P. Morgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify J.P. Morgan against certain liabilities arising out of J.P. Morgan s engagement. During the

two years preceding the date of J.P. Morgan s opinion, J.P. Morgan and its affiliates have had commercial or investment banking relationships with the Company and Berkshire Hathaway, for which J.P. Morgan and such affiliates have received customary compensation. Such services during such period have included acting as joint lead arranger and joint bookrunner on the Company s credit facility which closed in May 2017, joint lead bookrunner on the Company s offering of debt securities which closed in May 2017 and financial advisor to the Company in connection with a sale transaction which closed in October 2016 and as joint lead bookrunner on Berkshire Hathaway s offerings of debt securities which closed in January 2017 and August 2016. In addition, J.P. Morgan s commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of the Company, for which it receives customary compensation or other financial benefits. During the two year period preceding delivery of its opinion ending on June 10, 2018, the aggregate fees received by J.P. Morgan from the Company were approximately $10 million and from Berkshire Hathaway were approximately $30 million. Stephen Burke, a member of the Board of Directors of JP Morgan Chase & Co., is also a member of the Board of Directors of Berkshire Hathaway, and Todd Combs, Investment Officer of Berkshire Hathaway, is also a member of the Board of Directors of JP Morgan Chase & Co. In addition, J.P. Morgan and its affiliates hold, on a proprietary basis, less than 1% of the outstanding common stock of each of the Company and Berkshire Hathaway. In the ordinary course of their businesses, J.P. Morgan and its affiliates may actively trade the debt and equity securities or financial instruments (including derivatives, bank loans or other obligations) of the Company or Berkshire Hathaway for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities or financial instruments.

Financing

The merger is not conditioned upon the receipt of financing by Knauf.

In connection with the execution of the merger agreement, on June 8, 2018, Knauf and Merger Sub entered into the debt commitment letter, pursuant to which Knauf will obtain debt financing for the merger that will be used, together with other available capital resources of Knauf and its subsidiaries, to fund (i) the payment of the closing consideration, (ii) the payment of all unpaid transaction fees to be paid in connection with completion of the merger and any amounts required to be paid by Knauf pursuant to the terms of the merger agreement, (iii) the repayment of certain existing indebtedness of the Company and its affiliates and (iv) the payment of any fees associated with the foregoing. The debt commitment letter provides, among other things, that UniCredit Bank AG and Commerzbank Aktiengesellschaft will arrange, manage the syndication of and underwrite a EUR 2,250,000,000 term credit facility, a EUR 500,000,000 (or the equivalent in U.S. dollars) revolving credit facility, a $800,000,000 term credit facility and a $858,500,000 backstop credit facility. The merger agreement requires that Knauf deliver to the Company a copy of the executed debt commitment letter, including all exhibits, schedules or amendments (if any) thereto.

Knauf has represented in the merger agreement that it will have sufficient funds available to it, through the aggregate proceeds from the foregoing credit facilities, together with the other available capital resources of Knauf and its subsidiaries, necessary to complete the merger and the other transactions contemplated by the merger agreement. The Company has agreed to use its reasonable best efforts to provide cooperation as may be reasonably requested by Knauf to assist Knauf in arranging, obtaining and syndicating debt financing at or prior to the effective time of the merger.

See the section entitled *The Merger Agreement Financing and Financing Assistance*.

Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of the Board that you vote **FOR** adoption of the merger agreement, you should be aware that our directors and executive officers have potential interests in the proposed merger that may be different

from or in addition to your interests generally. The Board was aware of these interests and considered them, among other matters, in approving the merger agreement, and in making its recommendation that you vote **FOR** adoption of the merger agreement. See the section entitled *Proposal 1: The Merger Background of the Merger* and the section entitled *Proposal 1: The Merger Recommendations of the Board*

and Reasons for the Merger. These interests are described in more detail below, and certain of them are quantified in the narrative and the table below.

Directors and Executive Officers

Our directors and executive officers (serving in such roles in 2017 and/or 2018) are:

Name	Age	Positions
Jose Armario	59	Director
Thomas A. Burke	61	Director
Matthew Carter, Jr.	57	Director
Gretchen R. Haggerty	63	Director
William H. Hernandez	70	Director
Brian A. Kenney	58	Director
Richard P. Lavin	66	Director
Steven F. Leer	66	Director and Non-Executive Chairman
Jennifer F. Scanlon	51	Director, President and Chief Executive Officer
Matthew F. Hilzinger	55	Executive Vice President and Chief Financial Officer
Brian J. Cook	60	Executive Vice President and Chief Administrative Officer
Gregory D. Salah	56	Senior Vice President and President, Gypsum
Michelle M. Warner	51	Senior Vice President, General Counsel and Corporate Secretary
Dominic A. Dannessa	62	Executive Vice President and Chief Customer and Innovation Officer
Joseph W. Holmes	57	Senior Vice President, Manufacturing, Technology and Global Operations
Christopher D. Macey	47	Senior Vice President and President, Ceilings
John M. Reale	56	Senior Vice President and President, Performance Materials
Kenneth R. Banas(1)	44	Vice President, Advanced Manufacturing and Corporate Excellence
Mary A. Martin(1)	62	Vice President and Associate General Counsel
Jeanette A. Press(1)	42	Vice President and Controller
Chris A. Rosenthal(2)	55	Former Senior Vice President, Human Resources
Srinivas Veeramasuneni(1)	53	Vice President and Chief Innovation Officer

(1) This individual is an elected officer of the Company, but is no longer an executive officer of the Company as defined in Rule 3b-7 of the Exchange Act.
(2) Mr. Rosenthal is no longer an executive officer of the Company.

Like all other holders of shares of our common stock, our directors and executive officers will be entitled to receive closing consideration for each of their shares of our common stock, if any, and each of their outstanding Company equity awards will receive the treatment described below upon the completion of the merger.

Treatment of Company Equity Awards

Stock Options. At the effective time of the merger, each award of Company stock options in respect of our common stock that is outstanding immediately prior to the effective time of the merger will be converted into the right to receive a cash payment as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, equal to the product of (i) the number of shares of our common stock subject to such Company stock option as of the effective time of the merger, multiplied by (ii) the excess, if any, of the closing consideration over the

exercise price for such option.

Restricted Stock Unit Awards. At the effective time of the merger, each Company RSU Award in respect of our common stock that is outstanding immediately prior to the effective time of the merger, will become fully vested and will be converted into the right to receive as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, a cash payment equal to the product of (i) the number of

shares of our common stock subject to such Company RSU Award as of the effective time of the merger, multiplied by (ii) the closing consideration; provided that to the extent any such Company RSU Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. If stockholder approval of the adoption of the merger agreement is obtained, each holder of any Company RSU Awards, outstanding as of the record date of the special meeting, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, and (ii) the number of shares underlying such Company RSU Award in accordance with the terms of such award. The dividend equivalent will be converted into additional Company RSU Awards that will vest and be paid out along with the other outstanding Company RSU Awards as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger.

Market Share Unit Awards and Performance Share Awards. At the effective time of the merger, each Company MSU Award and each Company Performance Share Award in respect of our common stock that is outstanding immediately prior to the effective time of the merger will become fully vested and will be converted into the right to receive as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, a cash payment equal to the product of (i) (a) in the case of a Company MSU Award, the number of shares of our common stock earned under such Company MSU Award, determined as of the effective time of the merger by substituting the closing consideration for the market value per share, or (b) in the case of a Company Performance Share Award, the number of shares of our common stock earned under such Company Performance Share Award, determined by substituting the closing consideration for the ending stock price in determining the achievement of the performance goal measured as of the effective time of the merger, multiplied by (ii) the closing consideration; provided that to the extent any such Company MSU Award or Company Performance Share Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. Any shares of our common stock subject to a Company MSU Award or a Company Performance Share Award not earned on the effective date of the merger will be forfeited.

Deferred Stock Unit Awards. Pursuant to the merger agreement, it is expected that all of the Company s non-employee directors will be replaced as of the effective time of the merger. Accordingly, at the effective time of the merger, each Company DSU Award held in notional accounts by non-employee directors who will experience a separation from service under Section 409A of the Code in connection with the completion of the merger, will be converted into a right to receive a cash payment equal to the product of (i) the number of shares of our common stock deemed to be held in the notional account immediately before the effective time of the merger, multiplied by (ii) the closing consideration; provided that (a) to the extent that any such non-employee director is a specified employee under Section 409A of the Code or (b) such non-employee director does not have a separation from service in connection with the completion of the merger, such cash payment will be paid in accordance with the applicable Company DSU Award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. If stockholder approval of the adoption of the merger agreement is obtained, each holder of any Company DSU Awards, outstanding as of the record date of the special meeting, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares underlying such Company DSU Award in accordance with the terms of such award.

Dividend Make-Whole Amounts. The Company will grant a Dividend Make-Whole Amount to each holder of Incentive Equity Awards that were outstanding as of June 10, 2018, which are not entitled to dividend equivalent payments, in the form of a cash payment in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such

Incentive Equity Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company.

Table of Contents

The Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Incentive Equity Award remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective time of the merger. However, if any holder of outstanding Incentive Equity Awards terminates employment with the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards.

For an estimate of the amounts that would become payable to each of USG s named executive officers in settlement of his or her outstanding equity awards, see the section entitled *Quantification of Potential Payments to Our Named Executive Officers in Connection with the Merger.* If the effective time of the merger were July 1, 2018, based on the number of equity awards outstanding as of such date, the closing consideration of $43.50 per share of our common stock, and the conditional special dividend of $0.50, we estimate the amount that would become payable to each of the nine individuals who were executive officers of the Company in either 2017 or 2018 other than its named executive officers in payment for their outstanding shares of our common stock held directly and indirectly and in settlement of their outstanding equity awards (including any related dividend equivalents, such as the conditional special dividend, with respect to Company RSU Awards, the Dividend Make-Whole Amounts with respect to Company stock options, Company MSU Awards and Company Performance Share Awards, and less, for Company stock options, the exercise price) as follows:

Name	Shares of Common Stock (#)	Shares of Common Stock Subject to Stock Options (#)	RSUs (#)	MSUs (#)	Performance Shares (#)	Total Value ($)
Kenneth R. Banas	5,392		6,575	28,961	15,756	$ 2,490,809
Dominic A. Dannessa	67,996	79,720	5,058	86,882	47,268	$ 11,673,517
Joseph W. Holmes	8,431	7,831	15,173	21,097	12,184	$ 2,720,626
Christopher D. Macey	4,757	1,357	5,058	21,540	12,478	$ 1,965,802
Mary A. Martin	18,073	19,727	5,058	17,376	9,452	$ 2,789,233
Jeanette A. Press	12,922		4,046	28,961	15,756	$ 2,712,117
John M. Reale	14,648	8,550	5,058	15,993	9,376	$ 2,227,980
Chris A. Rosenthal	18,688	6,460	14,162	33,971	18,098	$ 3,910,728
Srinivas Veeramasuneni	9,740	7,763	4,046	40,170	22,192	$ 3,575,822

If the effective time of the merger were July 1, 2018, based on the number of equity awards outstanding as of such date, the closing consideration of $43.50 per share of our common stock, and the conditional special dividend of $0.50, we estimate the amount that would become payable to each of the Company s eight non-employee directors in payment for their outstanding shares of our common stock held directly and indirectly and in settlement of their outstanding equity awards (including any related dividend equivalents, such as the conditional special dividend, with respect to Company DSU Awards) as follows:

Name	Shares of Common Stock (#)	DSUs (#)	Total Value ($)
Jose Armario	6,534	79,191	$ 3,732,305
Thomas A. Burke	710	16,614	$ 753,949
Matthew Carter, Jr.		20,219	$ 879,527
Gretchen R. Haggerty	41,713		$ 1,835,372
William H. Hernandez	17,905	27,360	$ 1,977,980
Brian A. Kenney	36,659		$ 1,612,996
Richard P. Lavin	36,657	1,146	$ 1,662,759
Steven F. Leer	5,818	94,533	$ 4,368,177

Table of Contents

The amount payable in respect of the Company s executive officers does not reflect certain compensation actions that may occur before the effective time of the merger, including the grant of any additional equity awards as permitted by the merger agreement.

Change in Control Severance Agreements

The Company is party to change in control severance agreements with each of Brian Cook, Dominic Dannessa, Matthew Hilzinger, Joseph Holmes, Christopher Macey, Mary Martin, John Reale, Gregory Salah, Jennifer Scanlon and Michelle Warner, which provide severance benefits upon a qualifying termination of employment. If the employment of such person is terminated by the Company without cause or by the executive officer for good reason within two years following, or terminated by the Company without cause within 120 days (or 90 days, in the case of Mary Martin) prior to, a change in control of the Company (such as the merger) in accordance with the terms of their change in control severance agreements, each such person would be entitled to the following payments and benefits:

- any accrued but unpaid base salary, unpaid reimbursable expenses, accrued but unused vacation time, plan benefits whose terms extend beyond termination of employment, and any payments or benefits payable under any Company incentive plan;

- the greater of the executive officer s target annual bonus in the year of termination or the year in which the change in control occurs, pro-rated for the portion of the year that the executive officer was employed;

- two times (three times, in the case of Brian Cook) the sum of (a) the executive officer s highest base salary within the past three years, and (b) the greater of the executive officer s target annual bonus in the year of termination or the year in which the change in control occurs;

- continued participation in our health and welfare benefit plans for eighteen months on a tax free basis (unless, in the case of Mary Martin, such coverage would result in negative tax consequences, in which case, the Company will use its reasonable best efforts to substitute a substantially similar benefit without such negative tax consequences (including a lump sum cash payment));

- an amount in cash equal to the present value of six (or eighteen, in the case of Brian Cook) additional months of coverage under our health and welfare benefit plans, grossed up for any tax liability;

- in the case of Brian Cook, Dominic Dannessa, Mary Martin and Jennifer Scanlon, the present value of the difference between the executive officer s potential retirement benefit under the Company s defined benefit retirement plans if the executive officer were to receive two (three, in the case of Brian Cook) additional years of age and service, and the executive officer s current retirement benefit; and

- at least six months of outplacement services.

In addition, in the event of a termination without cause within 120 days (or 90 days, in the case of Mary Martin) prior to a change in control, any equity awards forfeited as a result of the executive officer s termination will be cashed out following such change in control.

The agreements with Brian Cook, Dominic Dannessa, Mary Martin and Jennifer Scanlon also provide that if the applicable executive officer s severance benefits constitute in aggregate a parachute payment, the aggregate amount will be cutback by the smallest amount necessary to eliminate the parachute amount, unless the cutback would reduce the value of the aggregate severance benefits by 10% or more, in which case, it will be grossed up (in the case of Mary Martin such gross up payment will not include any amount in respect of taxes imposed on health insurance benefits). The change in control severance agreements with each of Matthew Hilzinger, Joseph Holmes, Christopher Macey, John Reale, Gregory Salah, and Michelle Warner provide that if any payments thereunder are subject to an excise tax under Section 4999 of the Code, such payments will be reduced to the extent that the reduction would result in a greater after-tax benefit to the executive officer.

Table of Contents

As a condition to receiving the severance benefits under the change in control severance agreements, the applicable executive officer must execute a release of claims. The change in control severance agreements also include one-year post-employment non-competition restrictive covenants and two-year (three years in the case of Brian Cook) post-employment non-solicitation restrictive covenants.

For an estimate of the amounts that would become payable to each of the Company s named executive officers under his or her change in control severance agreement if a severance-qualifying termination of employment were to occur immediately following consummation of the merger, see the section entitled *Quantification of Potential Payments to Our Named Executive Officers in Connection with the Merger*. If the effective time of the merger were July 1, 2018, we estimate that the aggregate value of the pro-rated annual bonus payment, severance payment, cash payment for an additional six months of health and welfare benefits coverage, pension-related payment, tax reimbursements and ancillary outplacement benefits that would become payable to each of Dominic Dannessa, Joseph Holmes, Christopher Macey, Mary Martin and John Reale under their change in control severance agreements, if each incurred a severance-qualifying termination of employment on that date, would be as follows:

Name	Pro-Rated Annual Bonus ($)	Severance ($)	Cash Payment for Health Coverage ($)	Pension Related Payment ($)	Tax Reimbursements ($)	Ancillary Benefits ($)	Total ($)
Dominic A. Dannessa	$ 155,025	$ 1,574,100	$ 36,710	$ 19,860	$ 3,398,671	$ 100,000	$ 5,284,366
Joseph W. Holmes	$ 125,125	$ 1,270,500	$ 36,710	$ 0	$ 0	$ 100,000	$ 1,532,335
Christopher D. Macey(1)	$ 105,365	$ 1,123,897	$ 24,046	$ 0	$ 0	$ 100,000	$ 1,353,308
Mary A. Martin	$ 70,650	$ 910,600	$ 12,096	$ 292,788	$ 1,035,380	$ 25,000	$ 2,346,514
John M. Reale	$ 103,500	$ 1,104,000	$ 36,710	$ 0	$ 0	$ 100,000	$ 1,344,210

(1) The value of Christopher D. Macey s benefits under his change in control severance agreement is provided in U.S. dollars.

Pro-rated Annual Bonus for USG s 2018 Fiscal Year

Pursuant to the merger agreement, if the merger is completed prior to the end of the Company s 2018 fiscal year, the Company may pay annual bonus awards to eligible employees (including the executive officers), who continue to be employed on the closing date of the merger, in an amount determined based on actual performance as determined in good faith by the Compensation and Organization Committee of the Board and pro-rated based on the portion of the year elapsed as of the closing date. If the effective time of the merger occurs on or after the last day of the Company s fiscal year 2018, the Company may pay full annual bonus awards for fiscal year 2018 to eligible employees (including the executive officers), who continue to be employed on the last day of the Company s 2018 fiscal year, the amount of which will be determined based on the actual level of achievement of the applicable performance goals as determined in good faith by the Compensation and Organization Committee of the Board.

Dividend Make-Whole Amounts

The Company will grant a Dividend Make-Whole Amount to each holder of Incentive Equity Awards that were outstanding as of June 10, 2018, which are not entitled to dividend equivalent payments, in the form of a cash payment in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of our common stock that either (a) are or become vested and paid out on such Incentive Equity Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company. The Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Incentive Equity Award remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective

time of the merger. However, if any holder of outstanding Incentive Equity Awards terminates employment with the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards.

For an estimate of the amounts that are expected to become payable to each of the Company s named executive officers under his or her Dividend Make-Whole Amount upon the completion of the merger, see the section entitled *Quantification of Potential Payments to Our Named Executive Officers in Connection with the Merger.* We estimate that the amount that would become payable to each of Kenneth Banas, Dominic Dannessa, Joseph Holmes, Christopher Macey, Mary Martin, Jeanette Press, John Reale, Chris Rosenthal and Srinivas Veeramasuneni under their Dividend Make-Whole Amounts, which are included in the tabular disclosure of the amounts that would become payable to such executive officers in settlement of their shares and outstanding equity awards, would be as follows:

Name	**Dividend Make-Whole Amount ($)**	
Kenneth R. Banas	$	22,359
Dominic A. Dannessa	$	106,935
Joseph W. Holmes	$	20,556
Christopher D. Macey	$	17,688
Mary A. Martin	$	23,278
Jeanette A. Press	$	22,359
John M. Reale	$	16,960
Chris A. Rosenthal	$	29,265
Srinivas Veeramasuneni	$	35,063

New Management Arrangements

As of the date of this proxy statement, there are no employment, equity contribution or other agreements between any of the Company s executive officers or directors, on the one hand, and the Company or Knauf, on the other hand, in each case that have been requested or initiated by Knauf. The merger is not conditioned upon any executive officer or director of the Company entering into any such agreement.

Indemnification; Directors and Officers Insurance

Pursuant to the merger agreement, from and after the effective time of the merger, Knauf will indemnify certain persons, including the Company s directors and officers. In addition, for a period of six years from the effective time of the merger, Knauf will maintain an insurance and indemnification policy for the benefit of certain persons, including the Company s directors and officers. For additional information, see the section entitled *The Merger Agreement Indemnification and Insurance*.

Quantification of Potential Payments to Our Named Executive Officers in Connection with the Merger

The information set forth in the table below is intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about certain compensation for each of the Company s named executive officers that is based on or otherwise relates to the merger. For additional details regarding the terms of the payments described below, see the discussion under the caption *Interests of Our Directors and Executive Officers in the Merger.* For information regarding shares of our common stock held by the named executive officers that would be entitled to receive the total

consideration payable in connection with the merger, see the tabular disclosure under the caption *Security Ownership of Certain Beneficial Owners and Management*.

The amounts indicated below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described below, and do not reflect certain

Table of Contents

compensation actions that may occur before the effective time of the merger, including the grant of any additional equity awards as permitted by the merger agreement. For purposes of calculating such amounts, we have assumed:

July 1, 2018 as the effective time of the merger; and

a severance-qualifying termination of each named executive officer s employment immediately following the effective time of the merger.

Named Executive Officer	Cash ($)(1)	Equity ($)(2)	Pension/ NQDC ($)(3)	Perquisites/ Benefits ($)(4)	Tax Reimbursement ($)(5)	Other ($)(6)	Total ($)
Jennifer F. Scanlon	$ 4,806,898	$ 22,753,519	$ 720,717	$ 100,000	$ 9,612,751	$ 247,018	$ 38,240,903
Matthew F. Hilzinger	$ 2,515,875	$ 11,787,461	$ 0	$ 100,000	$ 18,454	$ 142,112	$ 14,563,902
Brian J. Cook	$ 2,554,642	$ 6,249,327	$ 356,200	$ 100,000	$ 3,036,474	$ 72,651	$ 12,369,294
Gregory D. Salah	$ 1,686,710	$ 5,673,570	$ 0	$ 100,000	$ 27,937	$ 59,954	$ 7,548,171
Michelle M. Warner	$ 1,839,250	$ 6,326,118	$ 0	$ 100,000	$ 18,454	$ 61,334	$ 8,345,156

(1) The cash amounts payable to the named executive officers include the following components:

(a) cash benefits payable under the named executive officer s change in control severance agreement, which provide for payment of:

the greater of the named executive officer s target annual bonus in the year of termination or the year in which the change in control occurs, pro-rated for the portion of the year that the named executive officer was employed;

two times (three times, in the case of Brian Cook) the sum of (a) the named executive officer s highest base salary within the past three years, and (b) the greater of the named executive officer s target annual bonus in the year of termination or the year in which the change in control occurs; and

an amount in cash equal to the present value of six (or eighteen, in the case of Brian Cook) additional months of coverage under our health and welfare benefit plans, grossed up for any tax liability;

in each case, payable in a lump sum on the 61st day following the termination of employment of such named executive officers by the Company without cause or by the named executive officer for good reason within two years following, or by the Company without cause within 120 days prior to, a change in control of the Company (such as the merger); and

(b) 2018 annual bonus award determined based on actual performance and prorated based on the portion of the year elapsed as of the closing date (although, the pro-rated 2018 annual bonus award amounts reflected in the table below are calculated at target because actual performance has not yet been determined as of the date of this proxy statement).

Table of Contents

The components of such cash amount payable pursuant to the change in control severance agreements are double-trigger (i.e., they are contingent upon a qualifying termination of employment), and the 2018 annual bonus award component of such cash amount is single trigger and will become payable upon the completion of the merger. As a condition to receiving the severance benefits under the change in control severance agreements, the named executive officers must execute a release of claims. The change in control severance agreements also include one-year post-employment non-competition restrictive covenants and two-year (three years in the case of Brian Cook) post-employment non-solicitation restrictive covenants. The estimated amount of each component of the cash payment is set forth in the table below.

Named Executive Officer	CIC Severance ($)	Pro-Rated 2018 MIP ($)	Cash Payment for Health Coverage ($)	Total ($)
Jennifer F. Scanlon	$ 4,207,550	$ 562,638	$ 36,710	$ 4,806,898
Matthew F. Hilzinger	$ 2,250,500	$ 241,125	$ 24,250	$ 2,515,875
Brian J. Cook	$ 2,351,250	$ 154,375	$ 49,017	$ 2,554,642
Gregory D. Salah	$ 1,496,000	$ 154,000	$ 36,710	$ 1,686,710
Michelle M. Warner	$ 1,645,600	$ 169,400	$ 24,250	$ 1,839,250

(2) As described in more detail in *The Merger Agreement Treatment of Company Equity Awards,* any Company stock options, Company RSU Awards, Company MSU Awards and Company Performance Share Awards (including those held by the executive officers) that were outstanding at the time the merger agreement was entered into and that remain outstanding as of the effective time of the merger will vest single-trigger upon the effective time of the merger and ultimately be settled for the closing consideration (less, in the case of stock options, the applicable exercise price).

The amounts above and in the table below assume the closing consideration as the price per share of our common stock. Set forth below are the values of each type of outstanding Equity Award (including any related dividend equivalents) held by the named executive officers that would become vested and paid out upon the completion of the merger. These amounts do not include any Dividend Make-Whole Amount payments, which are reflected in the Other column in the table above.

Named Executive Officer	Stock Options ($)	RSUs ($)	MSUs ($)	Performance Shares ($)	Total ($)
Jennifer F. Scanlon	$ 1,597,990	$ 1,980,033	$ 12,090,303	$ 7,085,193	$ 22,753,519
Matthew F. Hilzinger	$ 915,810	$ 0	$ 7,022,075	$ 3,849,576	$ 11,787,461
Brian J. Cook	$ 990,916	$ 550,058	$ 3,033,777	$ 1,674,576	$ 6,249,327
Gregory D. Salah	$ 185,088	$ 572,025	$ 3,156,708	$ 1,759,749	$ 5,673,570
Michelle M. Warner	$ 0	$ 990,060	$ 3,443,982	$ 1,892,076	$ 6,326,118

(3) This amount represents the cash payment payable in a lump sum after termination based on the present value of the difference between the named executive officer s potential retirement benefit under the Company s defined benefit retirement plans if the named executive officer were to receive two (three, in the case of Brian Cook)

additional years of age and service, and the named executive officer s current retirement benefit. The pension based payment payable pursuant to the change in control severance agreements is double-trigger (i.e., it is contingent upon a qualifying termination of employment).

(4) This amount represents the estimated value of at least six months of outplacement services in accordance with the Company s practices for its other senior executives. The outplacement benefits payable pursuant to the change in control severance agreements are double-trigger (i.e., they are contingent upon a qualifying termination of employment). These are estimates of the cost of the services and do not represent a cash payment.

(5) The change in control severance agreements with the named executive officers provide for continued participation in the Company s health and welfare benefit plans on a tax free basis for a period of eighteen

months, and a grossed up cash payment in the amount of the present value of six (or eighteen in the case of Brian Cook) additional months of coverage under USG s health and welfare benefit plans. Additionally, the change in control severance agreements with Brian Cook and Jennifer Scanlon provide that in the event the severance benefits provided thereunder constitute in aggregate an excess parachute payment, the aggregate amount will be subject to a cutback by the smallest amount necessary to eliminate the parachute amount, unless the cutback would reduce the aggregate severance benefits by 10% or more, in which case, it will be grossed up. The estimated amount of each such benefit is set forth in the table below. The gross up amounts payable pursuant to the change in control severance agreements are double-trigger (i.e., they are contingent upon a qualifying termination of employment).

Named Executive Officer	Insurance Benefits Gross Up ($)	Excise Tax Gross Up ($)
Jennifer F. Scanlon	$ 27,937	$ 9,584,814
Matthew F. Hilzinger	$ 18,454	$ 0
Brian J. Cook	$ 36,787	$ 2,999,687
Gregory D. Salah	$ 27,937	$ 0
Michelle M. Warner	$ 18,454	$ 0

(6) This amount represents the Dividend Make-Whole Amount payments on account of each outstanding Company stock option, Company MSU Award and Company Performance Share Award held by each named executive officer, which were approved at the Compensation and Organization Committee meeting on July 17, 2018 and the Board meeting on July 18, 2018. The Dividend Make-Whole Amount payment is single trigger (i.e., the payment is contingent upon the consummation of the merger) and will become payable upon the consummation of the merger.

Material U.S. Federal Income Tax Consequences of the Merger and the Conditional Special Dividend

The following is a discussion of the material U.S. federal income tax consequences of the merger and the conditional special dividend to holders of our common stock who receive the conditional special dividend and whose shares of our common stock are exchanged for the closing consideration pursuant to the merger. This discussion is based on the provisions of the Code, applicable U.S. Treasury Regulations, judicial opinions and administrative rulings and published positions of the Internal Revenue Service (the IRS), each as in effect as of the date hereof. These authorities are subject to change or differing interpretations, possibly on a retroactive basis, and any such change or interpretation could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, nor does it address any tax considerations under state, local or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax. This discussion is not binding on the IRS or the courts and, therefore, could be subject to challenge, which could be sustained. No ruling will be sought from the IRS with respect to the merger or the conditional special dividend.

This discussion applies only to beneficial owners of shares of our common stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that may be relevant to a holder in light of its particular circumstances, or that may apply to holders subject to special treatment under U.S. federal income tax laws (including, for example, insurance companies, dealers or brokers in securities or foreign currencies, traders in securities who elect to apply the mark-to-market method of accounting, holders subject to the alternative minimum tax, U.S. holders (as defined below) that have a functional currency other than the U.S. dollar, tax-exempt

organizations, tax-qualified retirement plans, banks and other financial institutions, mutual funds, certain former citizens or former long-term residents of the United States, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes or other flow-through entities (and investors therein), S corporations, real estate investment trusts, regulated investment companies, controlled foreign corporations, passive foreign investment companies, U.S. holders who hold shares of our common stock

as part of a hedge, straddle, constructive sale, conversion or other integrated transaction, and U.S. holders who acquired their shares of our common stock through the exercise of employee stock options or other compensation arrangements). This discussion also does not address the U.S. federal income tax consequences to holders of shares of our common stock who exercise appraisal rights in connection with the merger under the DGCL.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in such partnership will generally depend on the status of the partners and the activities of the partnership. If you are, for U.S. federal income tax purposes, a partner in a partnership holding shares of our common stock, you should consult your tax advisor.

Stockholders are urged to consult their own tax advisors to determine the particular tax consequences to them of the merger and the conditional special dividend, including the applicability and effect of the alternative minimum tax, the unearned income Medicare contribution tax and any other U.S. federal, or state, local, foreign or other tax laws.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

This section applies to you if you are a U.S. holder. For purposes of this discussion, the term U.S. holder means a beneficial owner of our common stock that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- a trust if (i) a court within the United States is able to exercise primary supervision over the trust s administration, and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an estate the income of which is subject to U.S. federal income tax regardless of its source.

The conditional special dividend will be characterized as a dividend for U.S. federal income tax purposes to the extent paid out of the Company s current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Such dividends are taxed at ordinary income tax rates; provided, however, that for a non-corporate U.S. holder, the amount of the conditional special dividend that is treated as a dividend for U.S. federal income tax purposes generally will be eligible under current law for a reduced rate of taxation if certain holding period and other requirements are satisfied. To the extent that the conditional special dividend qualifies for such reduced rate of taxation and constitutes an extraordinary dividend (generally, where the amount of the dividend exceeds 10% of a holder s tax basis in its stock, the conditional special dividend will likely be an extraordinary dividend), any loss on the sale or exchange of such stock by a non-corporate U.S. holder, to the extent of such extraordinary dividend, will be treated as long-term capital loss. For a corporate U.S. holder, the amount of the conditional special dividend that is treated as a dividend for U.S. federal income tax purposes will be eligible for the dividends-received deduction if such holder meets certain holding period and other applicable requirements. In addition, if (i) a corporate U.S. holder is

allowed a dividends-received deduction with respect to the conditional special dividend, (ii) such corporate U.S. holder held its common stock for two years or less, and (iii) such conditional special dividend constitutes an extraordinary dividend, then such corporate U.S. holder s tax basis in its common stock will be reduced (but not below zero) by the nontaxed portion of the conditional special dividend and, if the nontaxed portion of such dividend exceeds such tax basis, such excess will be treated as gain from the sale or exchange of such holder s common stock.

Based on the Company s estimate of its current and accumulated earnings and profits, it currently expects that only a portion of the amount of the conditional special dividend will be paid out of earnings and profits and

thus treated as a dividend for U.S. federal income tax purposes; however, the Company will not make a final determination of the portion of the conditional special dividend that is treated as paid out of current and accumulated earnings and profits until after the close of the taxable year in which the conditional special dividend is paid. To the extent that the conditional special dividend exceeds the Company s current and accumulated earnings and profits, the excess will first reduce the U.S. holder s basis in our common stock, but not below zero, and then will be treated as gain from the sale of the U.S. holder s common stock.

Assuming that the conditional special dividend is paid in 2018, the process of determining current and accumulated earnings and profits requires a final determination of the 2018 fiscal year results and a review of certain other factors. The determination will be based in part on factors that are outside of the control of the Company and which cannot be ascertained at this time. The Company will be required to complete IRS Form 8937 for certain distributions that affect stockholder basis, including the payment of the conditional special dividend, and post it on its website within 45 days of the dividend payment date. The Company expects that this form will provide certain preliminary information on the expected changes in the tax basis of the shares and the portion of the conditional special dividend anticipated to be paid out of earnings and profits. The final determination of the tax treatment of annual distributions (dividends versus return of capital) is reported to U.S. stockholders on IRS Form 1099-DIV. This form will be mailed to U.S. stockholders in early 2019, assuming the conditional special dividend is paid in 2018. The Company s determination of current and accumulated earnings and profits is not binding on the IRS, and it is possible that the IRS will take a different view.

The receipt of the closing consideration by U.S. holders in exchange for shares of common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a U.S. holder who receives the closing consideration in exchange for shares of common stock pursuant to the merger will recognize capital gain or loss in an amount equal to the difference, if any, between (i) the amount of cash received and (ii) the U.S. holder s adjusted tax basis in such shares. A U.S. holder s adjusted tax basis in the shares of common stock generally will equal the holder s purchase price for such shares, as adjusted to take into account stock dividends, stock splits, distributions not treated as a dividend or similar transactions.

Any such gain or loss will be long-term capital gain or loss if a U.S. holder s holding period in the shares of common stock surrendered in the merger is greater than one year as of the date of the merger. Long-term capital gains of certain non-corporate U.S. holders, including individuals, are generally subject to U.S. federal income tax at preferential rates. The deductibility of capital losses is subject to limitations. If a U.S. holder acquired different blocks of common stock at different times and different prices, such U.S. holder must determine its adjusted tax basis, gain or loss and holding period separately with respect to each block of common stock.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

This section applies to you if you are a non-U.S. holder. You are a non-U.S. holder if you are neither a U.S. holder nor a partnership. Also, you are not a non-U.S. holder if you are a nonresident alien individual present in the United States for 183 days or more in the taxable year of the special dividend or merger, in which case you should consult your tax advisor regarding the U.S. federal income tax consequences of the conditional special dividend or merger.

The amount of the conditional special dividend that is treated as a dividend for U.S. federal income tax purposes generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty (except as described in the immediately succeeding paragraph). While the Company expects that only a portion of the conditional special dividend will be treated as a dividend for U.S. federal income tax purposes, the Company will not make a final determination of the amount treated as a dividend until after the close of the taxable year in which the conditional special dividend is paid. Accordingly, the Company expects that, if withholding is required, it or

another applicable withholding agent will withhold based on the entire amount of the conditional special dividend. In such event, a non-U.S. holder may seek a refund from the IRS

with respect to withholdings on amounts in excess of the portion treated as a dividend for U.S. federal income tax purposes. Non-U.S. holders should consult their tax advisors on how to obtain a refund of any excess withholding. To obtain a reduced rate of withholding, a non-U.S. holder will be required to provide a properly executed applicable IRS Form W-8 certifying such non-U.S. holder s entitlement to benefits under a treaty. A non-U.S. holder will generally not be subject to tax on any gain recognized with respect to its common stock either on account of the conditional special dividend or pursuant to the merger (except as described in the immediately succeeding paragraph).

If the conditional special dividend or any gain realized by a non-U.S. holder pursuant to the merger is effectively connected with such non-U.S. holder s conduct of a U.S. trade or business, and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained by such non-U.S. holder in the United States, the conditional special dividend and any gain realized by a non-U.S. holder pursuant to the merger generally will be subject to U.S. federal income tax on a net income basis in the same manner as if such holder were a U.S. holder. In this case, with respect to the conditional special dividend, a non-U.S. holder will be exempt from the withholding tax discussed above, although such holder will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding. A non-U.S. holder should consult its tax advisor with respect to other U.S. federal income tax consequences of the conditional special dividend and the merger, including the possible imposition of a branch profits tax at a rate of 30% (or lower treaty rate) if such U.S. holder is a corporation.

FATCA

Provisions of the Code commonly referred to as FATCA require withholding of 30% on payments of dividends on our common stock (including the conditional special dividend), as well as payments of gross proceeds of dispositions of our common stock (including the closing consideration) occurring after December 31, 2018, to foreign financial institutions (which is broadly defined for this purpose and in general includes investment vehicles) and certain other non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied, or an exemption applies. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution generally may obtain a refund of any amounts withheld by filing a U.S. federal income tax return (which may entail significant administrative burden). You should consult your tax advisor regarding the effects of FATCA on your receipt of the conditional special dividend and the closing consideration.

Information Reporting and Backup Withholding

Payments of the conditional special dividend and payments made in exchange for shares of common stock pursuant to the merger may be subject, under certain circumstances, to information reporting and backup withholding (currently at a rate of 24%). To avoid backup withholding, a U.S. holder that does not otherwise establish an exemption should complete and return to the applicable withholding agent a properly completed and executed IRS Form W-9, certifying that such U.S. holder is a U.S. person, that the taxpayer identification number provided is correct, and that such U.S. holder is not subject to backup withholding. Non-U.S. holders are generally exempt from backup withholding and should establish their exemption by certifying as to their non-U.S. status on an appropriate IRS Form W-8.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against a holder s U.S. federal income tax liability, if any, provided that such holder furnishes the required information to the IRS in a timely manner.

Regulatory Approvals

Under the HSR Act and related rules, certain transactions, including the merger, may not be completed until notifications have been submitted to the Antitrust Division and the FTC and the applicable statutory waiting

period has expired or been terminated. The Company and Knauf received notice that their request for early termination of the HSR waiting period was granted on July 11, 2018. HSR clearance for the merger is effective as of receipt of that notice. Completion of the merger is further subject to notification or receipt of certain other regulatory approvals, including notification, clearance and/or approval in certain foreign jurisdictions, including Australia, China, Mexico, New Zealand, Singapore and Vietnam. The parties have filed or are in the process of preparing required notifications in each of the other applicable filing jurisdictions.

At any time, non-U.S. regulatory bodies and U.S. state attorneys general could take action under the antitrust laws as they deem necessary or desirable in the public interest, including seeking to enjoin the completion of the merger or permitting completion subject to regulatory conditions. Private parties may also seek to take legal action under the antitrust laws under some circumstances. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

Pursuant to the merger agreement, Knauf is required to take all actions necessary to obtain antitrust approvals, including (i) proposing, negotiating, committing to and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture or disposition of such businesses, product lines or assets of Knauf and its respective subsidiaries and affiliates and (ii) otherwise taking or committing to take actions that, after the effective time of the merger, would limit Knauf s or its subsidiaries or affiliates freedom of action with respect to, or its or their ability to retain, one or more of the businesses, product lines or assets of Knauf and its respective subsidiaries or affiliates.

Regulatory authorities may impose conditions on the completion of the merger. While Knauf is required in accordance with the merger agreement to take all actions necessary to procure approvals from regulatory authorities, there can be no assurance that the merger will be completed in the expected timeframe if regulatory authorities impose such conditions.

Delisting and Deregistration of Company Common Stock

If the merger is completed, all shares of our common stock will be delisted from the NYSE and the CHX and deregistered under the Exchange Act.

Table of Contents

THE MERGER AGREEMENT

The following is a summary of the material provisions of the merger agreement, a copy of which is attached to this proxy statement as Annex A and which is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to read carefully the merger agreement in its entirety, as the rights and obligations of the parties thereto are governed by the express terms of the merger agreement and not by this summary or any other information contained in this proxy statement.

Explanatory Note Regarding the Merger Agreement

The following summary of the merger agreement, and the copy of the merger agreement attached as Annex A to this proxy statement, are intended to provide information regarding the terms of the merger agreement and are not intended to provide any factual information about the Company or to modify or supplement any factual disclosures about the Company in its public reports filed with the SEC. In particular, the merger agreement and the related summary are not intended to be, and should not be relied upon as, disclosures regarding any facts and circumstances relating to the Company. The merger agreement contains representations and warranties by and covenants of the Company, Knauf and Merger Sub, and they were made only for purposes of that agreement and as of specified dates. The representations, warranties and covenants in the merger agreement were made solely for the benefit of the parties to the merger agreement, may be subject to limitations, qualifications and other particulars agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the merger agreement instead of establishing these matters as facts or being made for other purposes, and may be subject to contractual standards of materiality or material adverse effect (as defined below) applicable to the contracting parties that generally differ from those applicable to investors. In addition, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in the Company s public disclosures. The representations, warranties and covenants in the merger agreement and any descriptions thereof should be read in conjunction with the disclosures in the Company s periodic and current reports, proxy statements and other documents filed with the SEC. See the section entitled *Where You Can Find Additional Information*.

Additional information about the Company may be found elsewhere in this proxy statement and the Company s other public filings. See the section entitled *Where You Can Find Additional Information*.

Structure of the Merger; Certificate of Incorporation; Bylaws; Directors and Officers

At the effective time of the merger, Merger Sub will merge with and into the Company, and the separate corporate existence of Merger Sub will cease. The Company will be the surviving corporation in the merger and will continue its corporate existence as a Delaware corporation and an indirect, wholly-owned subsidiary of Knauf. The certificate of incorporation of the Company that is in effect immediately before the effective time of the merger will be amended and restated to read in its entirety as set forth in Exhibit B to the merger agreement, and as so amended will become the certificate of incorporation of the surviving corporation. The bylaws of the Company that are in effect immediately before the effective time of the merger will be amended and restated to read in their entirety as set forth in Exhibit C to the merger agreement, and as so amended will become the bylaws of the surviving corporation.

The individuals holding positions as directors of Merger Sub at the effective time of the merger will become the initial directors of the surviving corporation. The individuals holding positions as officers of the Company at the effective time of the merger will become the initial officers of the surviving corporation.

When the Merger Becomes Effective

The closing of the merger (the closing) will take place at the offices of Baker & McKenzie, LLP, 300 East Randolph Street, Chicago, Illinois 60601, at 10:00 a.m., Chicago time, on the second business day following the

day on which the last of the conditions set forth in the merger agreement to be satisfied or waived (other than those conditions that by their nature are to be satisfied at the closing, but subject to the satisfaction or waiver of those conditions) are satisfied or waived in accordance with the merger agreement, unless otherwise mutually agreed in writing between the Company and Knauf (the date on which the closing actually occurs is referred to herein as the closing date). For purposes of the merger agreement, business day refers to any day, except Saturday or Sunday, on which commercial banks are not required or authorized to close in Frankfurt, Germany, Chicago, Illinois, Dover, Delaware or New York, New York.

On the closing date, the Company and Knauf will file a certificate of merger with the Secretary of State of the State of Delaware. The merger will become effective at the time when the certificate of merger has been duly filed with the Secretary of State of the State of Delaware, or at such later time as may be agreed by the parties in writing and specified in the certificate of merger.

As of the date of this proxy statement, we expect to complete the merger in early 2019. However, completion of the merger is subject to the satisfaction or waiver of the conditions to the completion of the merger, which are described below and include stockholder approval of the adoption of the merger agreement and various regulatory clearances and approvals, and it is possible that the merger will not be completed until a later time, or not at all. There may be a substantial amount of time between the special meeting and the completion of the merger. After obtaining stockholder approval of the adoption of the merger agreement, the Board will not have the right to terminate the merger agreement in order to accept any alternative acquisition proposal. We expect to complete the merger promptly following the receipt of all required approvals.

Effect of the Merger on the Common Stock

At the effective time of the merger, each share of the Company s common stock issued and outstanding immediately prior to the effective time of the merger (other than shares of common stock owned by Knauf and its subsidiaries, the Company and its subsidiaries or excluded holders) will be converted into and represent the right to receive the closing consideration. The closing consideration will be $43.50 per share in cash, without interest and subject to tax withholding as applicable.

At the effective time of the merger, each share of the Company s common stock owned by the Company or its subsidiaries will be cancelled and will cease to exist and no consideration will be paid or delivered in exchange therefor.

At the effective time of the merger, each share of the Company s common stock owned by Knauf or any of its subsidiaries and each share of Merger Sub owned by Knauf or any of its subsidiaries immediately prior to the effective time of the merger will continue as one fully paid and non-assessable share of common stock, par value $0.10 per share, of the surviving corporation.

Treatment of Company Equity Awards

Stock Options. At the effective time of the merger, each award of Company stock options in respect of the Company s common stock that is outstanding immediately prior to the effective time of the merger will be converted into the right to receive a cash payment as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, equal to the product of (i) the number of shares of the Company s common stock subject to such Company stock option as of the effective time of the merger, multiplied by (ii) the excess, if any, of the closing consideration over the exercise price for such Company stock option.

Restricted Stock Unit Awards. At the effective time of the merger, each Company RSU Award in respect of the Company s common stock that is outstanding immediately prior to the effective time of the merger, will become fully vested and will be converted into the right to receive as promptly as practicable, but in no event

later than 15 calendar days after the effective time of the merger, a cash payment equal to the product of (i) the number of shares of the Company s common stock subject to such Company RSU Award as of the effective time of the merger, multiplied by (ii) the closing consideration; provided that to the extent any such Company RSU Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. If stockholder approval of the adoption of the merger agreement is obtained, each holder of any Company RSU Awards, outstanding as of the record date of the special meeting, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, and (ii) the number of shares underlying such Company RSU Award in accordance with the terms of such award.

Market Share Unit Awards and Performance Share Awards. At the effective time of the merger, each Company MSU Award and each Company Performance Share Award in respect of the Company s common stock that is outstanding immediately prior to the effective time of the merger will become fully vested and will be converted into the right to receive as promptly as practicable, but in no event later than 15 calendar days after the effective time of the merger, a cash payment equal to the product of (i) (a) in the case of a Company MSU Award, the number of shares of the Company s common stock earned under such Company MSU Award, determined as of the effective time of the merger by substituting the closing consideration for the market value per share, or (b) in the case of a Company Performance Share Award, the number of shares of the Company s common stock earned under such Company Performance Share Award, determined by substituting the closing consideration for the ending stock price in determining the achievement of the performance goal measured as of the effective time of the merger, multiplied by (ii) the closing consideration; provided that to the extent any such Company MSU Award or Company Performance Share Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. Any shares of the Company s common stock subject to a Company MSU Award or a Company Performance Share Award not earned on the effective date of the merger will be forfeited.

Deferred Stock Unit Awards. Pursuant to the merger agreement, it is expected that all of the Company s non-employee directors will be replaced as of the effective time of the merger. Accordingly, at the effective time of the merger, each Company DSU Award held in notional accounts by non-employee directors who will experience a separation from service under Section 409A of the Code in connection with the completion of the merger, will be converted into a right to receive a cash payment equal to the product of (i) the number of shares of the Company s common stock deemed to be held in the notional account immediately before the effective time of the merger, multiplied by (ii) the closing consideration; provided that (a) to the extent that any such non-employee director is a specified employee under Section 409A of the Code or (b) such non-employee director does not have a separation from service in connection with the completion of the merger, such cash payment will be paid in accordance with the applicable Company DSU Award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code. If stockholder approval of the adoption of the merger agreement is obtained, each holder of any Company DSU Awards, outstanding as of the record date of the special meeting, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, and (ii) the number of shares underlying such Company DSU Award in accordance with the terms of such award.

Dividend Make-Whole Amounts. The Company will grant a Dividend Make-Whole Amount to each holder of Incentive Equity Awards that were outstanding as of June 10, 2018, which are not entitled to dividend equivalents, in the form of a cash payment in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such Incentive Equity

Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company. The

Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Incentive Equity Award remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective time of the merger. However, if any holder of outstanding Incentive Equity Awards terminates employment with the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards.

Payment for Common Stock in the Merger

At the effective time of the merger, Knauf will deposit, or cause to be deposited, in trust with a paying agent in a separate account for the benefit of the holders of the Company s common stock, cash in U.S. dollars sufficient to pay the closing consideration in exchange for all of the shares of the Company s common stock issued and outstanding immediately prior to the effective time of the merger (other than shares of common stock owned by Knauf and its subsidiaries, the Company and its subsidiaries or excluded holders). As soon as reasonably practicable after the effective time of the merger and in any event no later than the second business day following the closing date, the surviving corporation will cause the paying agent to mail to each holder of record of shares of the Company s common stock converted into the right to receive a portion of the closing consideration (i) a letter of transmittal and (ii) instructions for use in effecting the surrender of the certificates or book-entry shares in exchange for payment of the closing consideration. Upon surrender of certificates or book-entry shares to the paying agent together with such letter of transmittal, duly completed and validly executed in accordance with the instructions, and such other documents as may be customarily required by the paying agent, the holder of such certificates or book-entry shares will be entitled to receive an amount in cash equal to the product of (i) the number of shares represented by such holder s properly surrendered certificates or book-entry shares multiplied by (ii) the closing consideration.

Conditional Special Dividend

In addition to the closing consideration, as contemplated in the merger agreement, the Company is expected to declare the conditional special dividend of $0.50 per share payable to holders of the Company s common stock as of the record date of the special meeting. Payment of the conditional special dividend is conditioned on obtaining stockholder approval of the adoption of the merger agreement and would be payable following certification of the results of the special meeting. The payment of the conditional special dividend is not conditioned on completion of the merger and, if stockholder approval of the adoption of the merger agreement is obtained, would be paid regardless of whether the merger is completed. If stockholder approval of the adoption of the merger agreement is obtained, each holder of any Company RSU Awards or Company DSU Awards outstanding as of the record date of the special meeting, that provide for dividend equivalents, will receive a dividend equivalent in an amount equal to the product of (i) the conditional special dividend, and (ii) the number of shares underlying such Company RSU Award or Company DSU Award in accordance with the terms of such award.

Due to the contingent nature of the conditional special dividend, the NYSE rules require the Company s common stock to trade with due bills, representing an assignment of the right to receive the conditional special dividend, beginning on [ ], 2018 (one business day prior to the record date) through the due bill period. The Company s common stock will not trade ex-dividend until the first business day after the conditional special dividend payment date (the ex-dividend date). This means that purchasers of the Company s common stock during the due bill period (even if the trade will settle after the due bill period) are entitled to receive the conditional special dividend in the event stockholder approval of the adoption of the merger agreement is obtained. Stockholders who sell the Company s common stock during the due bill period (even if the trade will settle after the due bill period) are not entitled to receive the

conditional special dividend in the event stockholder approval of the adoption of the merger agreement is obtained. Investors who enter into trades to purchase the Company s common stock on or after the ex-dividend date will not receive the conditional special dividend. The

conditional special dividend is conditioned on the merger agreement being adopted by our stockholders at the special meeting and would be paid following certification of the results of the special meeting.

Due bills obligate sellers who were stockholders of record on the record date to deliver the conditional special dividend, if paid, to the subsequent buyer. Accordingly, holders of the Company s common stock on the record date must hold the Company s common stock through the conditional special dividend payment date to be entitled to receive the conditional special dividend. The due bill obligations are settled customarily between the brokers representing the buyers and sellers of the Company s common stock. The Company has no obligations for either the amount of the due bill or the processing of the due bill. Buyers and sellers of the Company s common stock during the due bill period should consult their broker before trading in the Company s common stock to be sure they understand the effect of the NYSE s due-bill procedures.

The Company will grant a Dividend Make-Whole Amount to each holder of Incentive Equity Awards that were outstanding as of June 10, 2018 in the form of a cash payment in an amount equal to the product of (i) the conditional special dividend, multiplied by (ii) the number of shares of common stock that either (a) are or become vested and paid out on such Incentive Equity Awards in connection with the completion of the merger and did not otherwise participate in the conditional special dividend, or (b) are or become vested and become payable following the record date, but prior to the closing date of the merger, in each case as determined by the Company. The Dividend Make-Whole Amount will be earned upon the effective time of the merger subject to the holder of the underlying Incentive Equity Award remaining continuously employed by the Company and its subsidiaries until immediately prior to the effective time of the merger, and will be paid promptly thereafter, but in no event later than 15 days following the effective time of the merger. However, if any holder of outstanding Incentive Equity Awards terminates employment with the Company or any of its subsidiaries prior to the effective time of the merger, and any such Incentive Equity Awards remain outstanding following such termination in accordance with their terms, then such holder will still be eligible to receive a Dividend Make-Whole Amount with respect to such outstanding Incentive Equity Awards.

Representations and Warranties

The merger agreement contains representations and warranties of the Company, subject to certain exceptions in the merger agreement, in the Company disclosure letter delivered in connection with the merger agreement and in the Company s public filings, as to, among other things:

- organization;
- subsidiaries;
- capitalization;
- authorization, board approval, and voting requirements;
- consents and approvals and no violations;

takeover provisions, rights plan, and company confidentiality agreement;

SEC reports and financial statements;

SEC compliance matters;

absence of undisclosed liabilities;

absence of certain changes;

litigation and investigations;

compliance with laws and permits;

taxes;

Table of Contents

- employee benefit plans and related matters and ERISA;
- employees and labor matters;
- intellectual property;
- environmental laws and regulations;
- contracts;
- real property;
- products and products liability;
- insurance coverage;
- UBBP business;
- disclosure documents and proxy statement;
- opinion of financial advisor; and
- brokers.

The merger agreement also contains representations and warranties of Knauf and Merger Sub, subject to certain exceptions in the merger agreement and Knauf s disclosure letter delivered in connection with the merger agreement, as to, among other things:

- organization;
- authorization and board approval;
- consents and approvals and no violations;

- financing;
- Knauf s financial statements;
- proxy statement;
- ownership of common stock and agreements with stockholders; and
- litigation.

Some of the representations and warranties in the merger agreement are qualified by materiality qualifications or a material adverse effect qualification, as discussed below.

For purposes of the merger agreement, a material adverse effect means, with respect to the Company, a change, circumstance, condition, event, effect, development or state of facts (each, a change) that, individually or in the aggregate, is or would reasonably be expected to be materially adverse to the business, assets, financial condition, operations or results of operations of the Company, and its subsidiaries, taken as a whole. However, none of the following will be deemed, either alone or in combination, to constitute, and none of the following will be taken into account in determining whether there has been, a material adverse effect:

- any change in general U.S. or global economic conditions;
- any change in regulatory, legislative or political conditions or the financial, credit, securities or other capital markets in the United States or any foreign jurisdiction;
- any change that is the result of conditions generally affecting the industries in which the Company and its subsidiaries operate;
- any change that is the result of any decline in the market price, or change in trading volume, of the Company s common stock (it being understood that the facts or occurrences giving rise to or

contributing to such decline or change may, if not otherwise excluded by this definition, be deemed to constitute, or be taken into account in determining whether there has been or will be a material adverse effect);

any change that is the result of any failure, in and of itself, by the Company or its subsidiaries to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts or occurrences giving rise to or contributing to such failure may, if not otherwise excluded, be deemed to constitute, or be taken into account in determining whether there has been or will be a material adverse effect);

any change resulting from the execution and delivery of the merger agreement or the public announcement, completion or pendency of the merger or any of the other transactions contemplated by the merger agreement, including the impact thereof on the relationships, contractual or otherwise, of the Company or any of its subsidiaries with employees, labor unions, customers, suppliers or partners (it being understood that this exception will not apply to any representation or warranty of the Company in the merger agreement if the primary purposes of such representation or warranty is to address the consequences of entering into the merger agreement or completing the merger);

any change resulting from any proceeding brought by any one or more stockholders of the Company (on their own behalf or on behalf of the Company, including any class action) against the Company or its directors arising out of the merger or otherwise in connection with the transactions contemplated by the merger agreement;

any change resulting from any action taken by the Company or any subsidiary that is required by the merger agreement or any action taken at the written request of Knauf;

any hurricane, tornado, flood, earthquake, tsunami, volcanic eruption or other natural disaster occurring after the date of the merger agreement;

geopolitical conditions, the outbreak of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such conditions, hostilities, acts of war, sabotage or terrorism occurring after the date of the merger agreement;

any change occurring after the date of the merger agreement in applicable law, including any tax or trade policy, or U.S. GAAP (or authoritative interpretations thereof);

any adverse change to the Company s credit ratings (it being understood that the facts or occurrences giving rise to or contributing to such adverse change may, if not otherwise excluded by this definition, be deemed to constitute, or be taken into account in determining whether there has been or will be a material adverse effect); or

- the occurrence of an Event of Default under the UBBP shareholders agreement (as defined below) triggered upon the signing of the merger agreement or the completion of the merger and other transactions contemplated by the merger agreement, any related exercise of rights by the other shareholders under the UBBP shareholders agreement, including exercise of the Call Option (as defined in the UBBP shareholders agreement).

However, in the case of the first, second, third, ninth, tenth and eleventh bullet points above, any such change may be taken into account to the extent that it has a disproportionate adverse effect on the Company and its subsidiaries, taken as a whole, as compared to other participants in the industries in which the Company and its subsidiaries operate (but, in which case, only the incremental disproportionate impact may be taken into account), and, in the case of the ninth bullet point above, any such change may be taken into account to the extent that it relates primarily only to, or has an effect primarily relating to, the Company and its subsidiaries.

Conduct of Business Pending the Merger

The merger agreement provides that, from and after the date of the merger agreement until the effective time of the merger, except as required by applicable law, as set forth in the Company s disclosure letter to the merger agreement, as otherwise expressly provided for in the merger agreement or as Knauf may otherwise consent in writing, the Company will, and will cause its subsidiaries to, conduct its business in all material respects in the ordinary course of business consistent with past practices, and will use its reasonable best efforts to preserve intact its business organization and goodwill and preserve its relationships with governmental authorities, customers, suppliers, business associates, distributors, strategic and joint venture partners and others having business dealings with it, and keep available the services of its employees, and will not and will cause its subsidiaries not to:

- amend, modify or adopt any of the constituent documents, or the terms of any security, of the Company or any of its subsidiaries or any constituent documents to which any such entities are a party;

- except for the conditional special dividend, declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property) in respect of any of its securities, other than dividends or distributions by wholly-owned subsidiaries of the Company to the Company or other wholly-owned subsidiaries;

- split, combine, subdivide or reclassify any of its securities or issue or propose or authorize the issuance of any other securities or equity rights in respect of, in lieu of, or in substitution for, its securities, other than issuances of shares of the Company s common stock in connection with the exercise of equity rights that are outstanding on June 10, 2018 or granted thereafter in accordance with clause (i) of the fifth bullet point below;

- repurchase, redeem or otherwise acquire any securities or equity rights of the Company or any of its subsidiaries, or any other equity interests or any rights, warrants or options to acquire any such securities, other than (i) the acquisition by the Company of shares of the Company s common stock in connection with the surrender of shares of common stock by holders of equity rights in order to pay the exercise price thereof, (ii) the withholding of shares of common stock to satisfy tax obligations with respect to awards granted pursuant to the stock plans or pursuant to individual equity compensation award agreements, (iii) the acquisition by the Company of equity rights of the Company in connection with the forfeiture of such equity rights, or (iv) as required by any benefit plan as in effect on June 10, 2018;

- issue, sell, transfer, dispose of, grant, pledge or otherwise encumber any securities or equity rights of the Company or any subsidiary of the Company other than (i) issuances of equity rights in the ordinary course of business consistent with past practices in accordance with the terms of the stock plans or pursuant to individual award agreements with directors, officers, employees or agents of the Company or its subsidiaries, in all cases subject to the limitations set forth in the Company s disclosure letter to the merger agreement, (ii) issuances of the Company s common stock in connection with the exercise of or settlement of equity rights that are outstanding on June 10, 2018 or any equity rights granted after June 10, 2018 in accordance with the foregoing clause (i), and (iii) issuances of securities between or among the Company and any of its wholly-owned subsidiaries;

enter into any contract with respect to the voting of securities;

make any acquisition (including by merger, consolidation, acquisition of assets, or otherwise) of any business or any corporation, partnership, limited liability company, joint venture or other business organization or division thereof or any property or assets (other than raw materials, inventories and supplies in the ordinary course of business consistent with past practice) for consideration in an amount in excess of $15,000,000;

transfer, sell, assign, lease, license, surrender, cancel, abandon, divest, allow to lapse or otherwise dispose of any material asset, material product line, material line of business, material right or material

property (including any interest in a partnership, joint venture or similar entity), other than the sale of finished products or the disposal of unused, excess or obsolete tangible assets or properties in the ordinary course of business consistent with past practice;

make any loans, advances or capital contributions to, or investments in, any other person other than (i) by the Company or any of its wholly-owned subsidiaries to or in the Company or any of its wholly-owned subsidiaries or (ii) pursuant to any contract or other legal obligation existing on June 10, 2018 set forth in the Company s disclosure letter to the merger agreement;

incur, guarantee or assume any indebtedness, or issue or sell any debt securities, guarantees, loans or advances not in existence as of June 10, 2018 other than (i) indebtedness incurred in the ordinary course of business consistent with past practices not to exceed $15,000,000 in the aggregate, (ii) indebtedness incurred in the ordinary course of business under the Company s credit facility with JP Morgan Chase Bank, N.A. and other facilities or lines of credit which are in existence on June 10, 2018 (without amendment or waiver increasing the maximum credit limit under the Company s credit facility with JP Morgan Chase Bank, N.A and any such other facilities or lines of credit), (iii) indebtedness in replacement of existing indebtedness on customary commercial terms, but in all cases consistent in all material respects with the indebtedness being replaced, and (iv) guarantees by the Company of indebtedness of any of its wholly-owned subsidiaries or guarantees by any of its subsidiaries of indebtedness of the Company;

make or commit to make any capital expenditure, except for (i) aggregate expenditures in an amount not in excess of (and for projects materially consistent with) the capital expenditure budget made available to Knauf prior to June 10, 2018 and (ii) additional expenditures in an amount not to exceed $15,000,000 in the aggregate during any 12-month period;

adversely amend, modify, terminate or waive any material right under any contract listed or required to be listed in section 4.18(a) of the Company s disclosure letter to the merger agreement or filing as an exhibit to any SEC filing of the Company (other than any contract between the Company or any of its subsidiaries on the one hand and any UBBP Company (as defined below) or any subsidiary of a UBBP Company, on the other hand, relating to the business conducted by the UBBP joint venture) (a Company contract) or material permit, in each case, other than in the ordinary course of business consistent with past practice;

except as required by any benefit plan as currently in effect on June 10, 2018 or by the terms of the merger agreement, grant any material increase (determined with reference to the compensation paid to the individuals involved) in, or accelerate the vesting or payment of, the compensation or benefits of any director, officer, employee or consultant of the Company or any of its subsidiaries; provided that the Company or any of its subsidiaries may grant material increases in base salaries and target bonuses to non-executive employees, non-executive officers and agents in the ordinary course of business consistent with past practices;

establish, adopt, or enter into any agreement or arrangement that would be a benefit plan if in effect on June 10, 2018, or materially amend any benefit plan, other than (i) as required by applicable law or the terms

of any benefit plan as in effect as of June 10, 2018 or (ii) with respect to new hires or employees in the context of promotions based on job performance or workplace requirements, in each case in the ordinary course of business consistent with past practice; provided that (x) in the case of new hires, such agreements, plans, programs or contracts, or any amendments or modifications thereto, are consistent with the past practices of entering into such agreements, plans, programs or contracts for newly hired employees in similar positions and (y) in the case of promotions, such amendments or modifications are consistent with the past practices of making such amendment or modifications for promoted employees in similar positions;

effect any plant closing or mass layoff as those terms are defined in the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any comparable state or non-U.S. law;

settle or compromise any material proceeding (excluding settlements and compromises relating to taxes, which are the subject of eighteenth bullet point in this section), other than in the ordinary course of business consistent with past practice or as otherwise permitted by the terms of the merger agreement;

adopt or implement a plan of complete or partial liquidation or resolution providing for or authorizing such liquidation or a dissolution, merger, restructuring, consolidation, recapitalization or other reorganization of the Company or any significant subsidiary of the Company;

(i) make, revoke or amend any material election relating to taxes, including an election under Section 965(h) of the Code, (ii) settle or compromise any material proceeding relating to material taxes, (iii) make a written request for a ruling or determination of a taxing authority relating to material taxes, (iv) amend any material tax return, (v) surrender or waive any claim to a material tax refund of the Company or any of its subsidiaries, (vi) enter into any closing agreement or similar contract with respect to material taxes with a taxing authority, or (vii) change any material tax accounting methods in a materially adverse manner;

make any material change with respect to accounting policies or procedures, except as may be required by changes in U.S. GAAP or law after June 10, 2018 (or as may be required to be implemented after June 10, 2018 pursuant to changes in U.S. GAAP prior to June 10, 2018), change its fiscal year or make any material change in internal accounting or disclosure controls and procedures that could reasonably be expected to materially adversely impact the Company or any of its subsidiaries;

in the Company s capacity as a shareholder of the UBBP joint venture, (i) agree to amend, modify or waive any material provision of the UBBP shareholders agreement (as defined below) or any of the constituent documents of the UBBP joint venture, or (ii) authorize, approve or consent to certain matters set forth in the schedules of the UBBP shareholders agreement; or

propose, authorize, agree or commit to do any of the foregoing.

Access

Upon reasonable notice, the Company will, and will cause each of its subsidiaries to, afford Knauf and its representatives reasonable access during normal business hours to the respective properties, books, records (including tax records), contracts commitments and personnel for the purposes of completing the merger; provided, however, that, prior to the effective time of the merger, Knauf and its affiliates and representatives will not conduct any environmental site assessment or conduct any testing or any sampling of soil, sediment, surface water, ground water or building material at, on or within any property of the Company and its subsidiaries. Further, the Company will not be required to permit any inspection, or to disclose any information, that in the Company s reasonable judgment would (i) violate applicable law, (ii) waive any protection of an attorney-client privilege or other legal privilege (subject to reasonable cooperation between the parties with respect to entering into appropriate joint defense, community of interest or similar agreement or arrangement with respect to the preservation of such privileges), or (iii) result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality.

Acquisition Proposals

Pursuant to the merger agreement, the Company will, and will cause its subsidiaries and the representatives of the Company and its subsidiaries to, immediately cease and terminate any existing activities, discussion or negotiations with any person or its representatives with respect to any acquisition proposal (as defined below), or any inquiry, proposal or offer that would reasonably be expected to lead to any acquisition proposal, and will discontinue access of such persons and their representatives to any electronic data room or similar information-sharing platform and will request the prompt return or destruction of any confidential information previously furnished or made available to such persons in connection.

Table of Contents

Except as expressly permitted by the merger agreement, from and after June 10, 2018, the Company will not, and will cause each of its subsidiaries to not and will not authorize or knowingly permit any of its representatives to, directly or indirectly:

initiate, solicit, facilitate or knowingly encourage the making of an acquisition proposal;

enter into, participate or engage in or continue any discussions or negotiations regarding, furnish to any person or its affiliates or representatives any information or data with respect to, or otherwise cooperate with or knowingly take any other action to facilitate any inquiry, proposal or offer that constitutes or that would reasonably be expected to lead to an acquisition proposal;

enter into any letter of intent, memorandum of understanding, agreement in principle, term sheet, merger agreement, acquisition agreement, option agreement or other contract relating to, providing for or that would reasonably be expected to lead to an acquisition proposal;

take any action to make the provisions of any fair price, moratorium, control share acquisition, business combination or similar anti-takeover statute or regulation (including the approval of any person becoming an interested shareholder pursuant to Section 203 of the DGCL), or any restrictive provision of any applicable anti-takeover provision in the Company s constituent documents, inapplicable to any transactions contemplated by an acquisition proposal;

amend, modify or waive any provision of the rights plan dated December 21, 2006 between the Company and Computershare Trust Company, N.A. (the rights plan) or the provisions of Article Thirteenth of the Restated Certificate of Incorporation of the Company or cause or permit any of the rights issued pursuant to the rights plan to be redeemed, cancelled or terminated;

amend, modify, waive or release any of the standstill restrictions in any confidentiality agreement or other contract with any other person (except that if the Board determines in good faith that the failure to so amend, modify, waive or release any such standstill restrictions would be inconsistent with its fiduciary duties, the Company may waive any such standstill provision in order to permit a third party to make and pursue an acquisition proposal); or

resolve, propose or agree to do any of the foregoing.

Pursuant to the merger agreement, an acquisition proposal means an inquiry, proposal or offer from, or indication of interest in making a proposal or offer by, any person, whether or not subject to conditions, relating to any transaction or series of transactions involving any direct or indirect:

merger, share exchange, joint venture, partnership, business combination or consolidation, or any similar transaction involving the Company;

sale, lease, license, exchange, mortgage, pledge, transfer or other acquisition or transaction, assumption or disposition of 15 percent or more (based on the fair market value thereof) of the consolidated net revenues, net income or assets, including any securities of any subsidiaries of the Company, of the Company and its subsidiaries, taken as a whole;

purchase, share issuance, tender offer, exchange offer or other acquisition or transaction (including by way of merger, share exchange, joint venture, partnership, business combination, consolidation or otherwise) that if completed would result in the beneficial ownership by any person or group (as defined under the Exchange Act) of securities representing 15 percent or more of the outstanding common stock or any other class of voting securities of the Company; or

recapitalization, reorganization, liquidation, dissolution or any other similar transaction involving the Company or any of its significant subsidiaries.

Notwithstanding certain provisions of the merger agreement described above, at any time prior to, but not after, obtaining stockholder approval of the adoption of the merger agreement, the Company may, in response to

Table of Contents

an unsolicited bona fide written acquisition proposal made after the date of the merger agreement that did not result from a breach of the above conditions, furnish information and data to the person making such acquisition proposal and its representatives pursuant to and in accordance with an acceptable confidentiality agreement and participate and engage in discussions or negotiations with the person regarding such acquisition proposal if and only if, in each case, the Board has determined in good faith, after consultation with its outside legal counsel and financial advisors of nationally recognized reputation, that such acquisition proposal constitutes or could reasonably be expected to lead to a superior proposal (as defined below). All information provided by the Company or its subsidiaries to any person entering into an acceptable confidentiality agreement that has not been previously provided to Knauf must be provided by the Company to Knauf prior to or substantially concurrently with the time it is provided to such person.

Pursuant to the merger agreement, a superior proposal means a bona fide written acquisition proposal that has not been withdrawn and that did not result from a breach of the provisions of merger agreement that (i) if completed, would result in any third person (or in the case of a direct merger between such third person and the Company, the stockholders of such third person) acquiring, directly or indirectly, more than 80 percent of the voting power of the outstanding shares of our common stock or all or substantially all of the assets of the Company, (ii) is reasonably capable of being completed, taking into account all financial, legal, regulatory and other aspects of such acquisition proposal, including all conditions contained therein, the nature of the consideration offered, and the identity of the person making such acquisition proposal, and (iii) the Board determines in good faith, after consultation with outside legal counsel and financial advisors of nationally recognized reputation (taking into account the items identified in the foregoing clause (ii) and any changes to the merger agreement proposed by Knauf in response to an acquisition proposal), is more favorable from a financial point of view to the Company s stockholders than the merger.

Except as described below, the Board will not (i) fail to include its recommendation in the proxy statement, (ii) change, withhold, withdraw or qualify or modify in a manner adverse to Knauf, or propose publicly change, withhold, withdraw or qualify or modify in a manner adverse to Knauf, its recommendation, (iii) approve, adopt, declare advisable, endorse or recommend, or publicly propose to approve, adopt, declare advisable, endorse or recommend, any acquisition proposal, (iv) with respect to any publicly announced bona fide acquisition proposal, fail to confirm publicly through a press release or similar means its recommendation on the earlier of (A) the fifth business day after the date when requested to do so in writing by Knauf and (B) the second business day prior to the special meeting, (v) if a tender or exchange offer for shares of the Company s common stock is commenced, fail to recommend against acceptance of such tender or exchange offer by the stockholders or the Company on the earlier of (x) the tenth business day after the commencement of such tender or exchange offer pursuant to Rule 14d-2 under the Exchange Act and (y) the second business day prior to the special meeting, or (vi) resolve or propose to take any action described in clause (i) through (v) above (we refer to any of the foregoing actions, as a change in recommendation).

Notwithstanding other provisions in the merger agreement, at any time prior to, but not after, obtaining stockholder approval of the adoption of the merger agreement, if a material positive change with respect to the Company and its subsidiaries (an intervening event) has occurred and is continuing or the Company has received an acquisition proposal after the date of the merger agreement that has not been withdrawn or otherwise modified and that did not result from a breach of the provisions of the merger agreement that the Board has determined in good faith, after consultation with its outside legal counsel and financial advisors of nationally recognized reputation, constitutes a superior proposal, then (i) the Board may effect a change in recommendation and (ii) the Board may authorize the Company to take any action pursuant to the termination provisions, if and only if the Board has determined in good faith, after consultation with its outside legal counsel and financial advisors of nationally recognized reputation, that the failure to do so would be inconsistent with its fiduciary duties to the Company s stockholders under Delaware Law.

The Board may not effect a change in recommendation unless (i) the Board has provided at least five business days advance written notice to Knauf that it is prepared to effect a change in recommendation which

will include a description of the intervening event or the most current version of the superior proposal, including the identity of the person making the superior proposal, as applicable, (ii) during the applicable five business day period, if requested by Knauf, the Company and its representatives have engaged in good faith negotiations with Knauf and considered any binding proposal by Knauf, and (iii) Knauf does not make, within five business days after receipt of such notice, a binding proposal that the Board determines in good faith obviates the need for a change in recommendation or termination of the merger agreement, as applicable.

Notwithstanding any change in recommendation, the Board will continue with its obligations under the merger agreement and will submit the merger agreement to the stockholders of the Company for the purpose of obtaining stockholder approval of the adoption of the merger agreement unless the merger agreement has been terminated prior to the date of the special meeting.

The Special Meeting

As promptly as practicable after the SEC confirms that it has no further comments on this proxy statement (or lapse of the applicable waiting period during which the SEC is permitted to comment on this proxy statement), the Company will (i) set a record date for the special meeting and (ii) call, give notice of, convene and hold the special meeting. The Company will use reasonable best efforts (consistent with the efforts customarily used in transactions of the type contemplated by the merger agreement) to solicit and obtain stockholder approval of the adoption of the merger agreement.

The special meeting will be held regardless of any change in recommendation by the Board, unless the merger agreement is terminated in accordance with provisions of the merger agreement. Unless the merger agreement is terminated in accordance with such provisions, the Company will not postpone or adjourn the special meeting except to the extent (i) Knauf has consented to such postponement or adjournment in writing or (ii) the Company, acting in good faith after consulting with outside legal counsel, determines that (A) such postponement or adjournment is necessary to ensure that any required supplement or amendment to the proxy statement is provided to the Company s stockholders within a reasonable amount of time in advance of the special meeting, (B) it will not receive proxies sufficient to obtain stockholder approval of the adoption of the merger agreement, whether or not a quorum is present, or it will not have a sufficient number of shares of common stock represented in person or by proxy to constitute a quorum necessary to conduct the business of the special meeting, or (C) such postponement or adjournment is required to comply with applicable law; provided that in the case of a postponement or adjournment in accordance with clause (ii) above, the date of the special meeting will not be postponed or adjourned by more than an aggregate of 15 calendar days without Knauf s prior written approval.

Financing and Financing Assistance

The merger is not conditioned upon the receipt of financing by Knauf. However, Knauf has agreed that it will use its reasonable best efforts to take all actions and to do all things reasonably necessary to arrange and complete the debt financing (the debt financing) on the terms in the debt commitment letter, including using its reasonable best efforts to (i) maintain in effect the debt commitment letter, (ii) satisfy or cause to be satisfied on a timely basis (or, if determined advisable by Knauf, obtain the waiver of) all terms and conditions applicable to Knauf set forth in the debt commitment letter that are within its control, and (iii) negotiate and enter into definitive agreements with respect to the debt financing on the terms and conditions substantially comparable to those contemplated by the debt commitment letter.

The Company will, and will cause its subsidiaries and representatives to, at the expense of Knauf, use its and their reasonable best efforts to provide such cooperation as reasonably requested by Knauf, to assist Knauf in arranging,

obtaining or syndicating the debt financing, any alternative financing (which will be on terms that will enable Knauf to complete the merger and that are not less favorable in the aggregate to the Company and its subsidiaries than those contained in the debt commitment letter) or any debt or equity financing undertaken in

any form in replacement of all or any portion of such debt financing or alternative financing or otherwise for the purposes of financing the closing consideration and the other required payments under the merger agreement.

Employee Matters

The merger agreement provides that Knauf will provide or cause to be provided to each Continuing USG Employee compensation and benefits during the period from the effective time of the merger until December 31 of the calendar year following the calendar year in which the effective time of the merger occurs, on the following terms:

Base Compensation. An annual base salary or wage rate that is no less than those provided to such Continuing USG Employees immediately prior to the effective time of the merger;

Annual Incentives. Target and maximum short-term annual incentive compensation opportunities that are no less than those provided to such Continuing USG Employees immediately prior to the effective time of the merger;

Long-Term Incentives. Target and maximum long-term cash incentive compensation opportunities that are no less than the target and maximum cash value assumptions that were used when granting target equity-based incentive compensation opportunities to such Continuing USG Employees prior to the effective time of the merger;

Retirement Benefits. To the extent not duplicative, retirement benefits and accruals under the applicable Company benefit plans in accordance with the Company s past practices;

Severance Benefits. Severance benefits upon a qualifying termination at least equal to the severance benefits that would have been provided to each such Continuing USG Employee in the event of such a qualifying termination under the applicable Company benefit plans, without amendment, as currently in effect on June 10, 2018 or as required by applicable law; and

Employee Benefits. To the extent not otherwise duplicative with employee benefits otherwise described above, employee benefits that are at least as favorable in the aggregate as the employee benefits provided to such Continuing USG Employee immediately prior to the effective time of the merger under the applicable Company benefit plans.

Following the effective time of the merger, Knauf or the surviving corporation will honor all of our employee benefit plans and compensation arrangements and agreements, in accordance with their terms. In addition, Knauf, for purposes of any of its employee benefit plans in which Continuing USG Employees are eligible to participate following the completion of the merger, will recognize for purposes of eligibility, vesting and level of benefits each Continuing USG Employee s years of service with the Company and its subsidiaries before the effective time of the merger, to the same extent as such employee was entitled, before the effective time of the merger, to credit for such service under any comparable Company benefit plan, unless (i) its application would result in a duplication of benefits, (ii) similarly situated employees of Knauf do not receive credit for such service, (iii) such Company benefit

plans did not recognize such period of service or did not provide credit for prior service, or (iv) such Knauf benefit plan is frozen or a grandfathered plan. With respect to medical, dental or vision insurance benefits, for the plan year in which such Continuing USG Employee is first eligible to participate (i) any preexisting conditions or limitations and eligibility waiting periods will be waived with respect to the Continuing USG Employees and their eligible dependents to the extent such limitation would have been waived or satisfied under the Company benefit plan in which such Continuing USG Employee participated immediately prior to the merger, and (ii) the amount of eligible expenses incurred by each Continuing USG Employee and his or her eligible dependents that were credited to deductible and maximum out-of-pocket co-insurance requirements under the Company benefit plans immediately prior to the merger will be credited for purposes of satisfying the deductible, and maximum out-of-pocket co-insurance requirements under the corresponding Knauf benefit plans.

Knauf s obligations to provide such compensation and benefits to Continuing USG Employees who are covered by a collective bargaining agreement or based outside of the United States will be modified or adjusted as necessary to comply with the terms of such collective bargaining agreement or the laws of such countries in which such Continuing USG Employees are based.

Efforts to Complete the Merger

The Company and Knauf have agreed to cooperate with each other and use their respective reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under any applicable law to complete and make effective in the most expeditious manner possible the merger, including (i) determining all necessary filings, notices, petitions, clearances, statements, registrations, submissions of information, applications and other documents to complete the merger, (ii) preparing and filing as promptly as practicable all documentation to effect such filings, notices, petitions, statements, registrations, submissions of information, applications and other documents, (iii) the satisfaction of the conditions to completing the merger, (iv) taking actions necessary to obtain (and to cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any governmental authority (which actions will include furnishing all information required under the HSR Act, and other applicable competition laws and foreign investment laws and in connection with (x) obtaining such approvals, authorizations, clearances, consents or exemptions under the HSR Act and such other applicable competition laws and foreign investment laws for the jurisdictions set forth in the merger agreement or (y) filings with any governmental authority) required to be obtained or made by Knauf, Merger Sub, the Company or any of their respective subsidiaries or affiliates in connection with the transactions contemplated by the merger agreement, and (v) the execution and delivery of any additional instruments necessary to completing the transactions contemplated by the merger agreement and to fully carry out the purposes of the merger. Prior to the closing, the Company will use, and will cause its subsidiaries to use, reasonable best efforts to cooperate with Knauf to obtain consents and waivers required from parties to the Company contracts that have not been obtained, except that (A) none of the Company or its subsidiaries will be required to make any payments, incur any liability or obligation, or offer or grant any accommodation (financial or otherwise) to any such third party in connection with obtaining any such consent or waiver and (B) in no event will the failure to obtain any such consent or waiver in and of itself be a condition to any of the obligations of Knauf or the Merger Sub to effect the closing.

Knauf will, and will cause its subsidiaries and affiliates to, take all actions necessary to procure, as promptly as reasonably possible, and in any event no later than January 1, 2019 (the end date), any and all approvals, authorizations, clearances, consents or exemptions under the HSR Act and such other applicable competition laws and foreign investment laws (collectively, antitrust approvals) that would, if not procured, otherwise have the effect of materially delaying or preventing the completion of the merger, (i) proposing, negotiating, committing to and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture or disposition of such businesses, product lines or assets of Knauf and its subsidiaries and affiliates and (ii) otherwise taking or committing to take actions that, after the closing date, would limit Knauf s or its subsidiaries or affiliates freedom of action with respect to, or its or their ability to retain, one or more of the businesses, product lines or assets of Knauf and its subsidiaries or affiliates, in each case as may be required in order to avoid the entry of, or to effect the dissolution of, any preliminary or permanent injunction, in any proceeding under the HSR Act or any other applicable competition law or foreign investment law, which would otherwise have the effect of preventing the closing, and in that regard, Knauf will agree to divest, sell, dispose of, hold separate, or otherwise take or commit to take any action that limits its freedom of action with respect to, or Knauf s or its subsidiaries or affiliates ability to retain, any of the businesses, product lines or assets of Knauf or any of its subsidiaries or affiliates.

Indemnification and Insurance

From and after the effective time of the merger, Knauf will and Knauf will cause the surviving corporation to (i) indemnify and hold harmless, against any costs or expenses (including reasonable attorneys fees),

judgments, fines, losses, claims, damages or liabilities incurred in connection with any proceeding, whether civil, criminal, administrative or investigative, and provide advancement of expenses to, all past and present directors and officers of the Company and its subsidiaries (in all of their capacities) (the indemnified persons) (A) to the same extent such indemnified persons are indemnified or exculpated or have the right to advancement of expenses as of the date of the merger agreement by the Company pursuant to the Company s constituent documents and indemnification contracts, if any, in existence on the date of the merger agreement with the indemnified persons and (B) without limitation to clause (A), to the fullest extent permitted by law, (ii) honor and will not amend the provisions regarding elimination of liability of directors, indemnification of directors and officers and advancement of expenses contained in the Company s constituent documents immediately prior to the effective time of the merger, and (iii) maintain for a period of six years after the effective time of the merger policies of directors and officers liability insurance and fiduciary liability insurance (D&O insurance) covering each person covered by the Company s current D&O insurance as of the effective time of the merger, providing for at least the same coverage and amounts as, and containing terms and conditions which are no less favorable to the insured than, such current D&O insurance, with respect to claims arising from facts or events that occurred on or before the effective time of the merger, including for acts or omissions occurring in connection with stockholder approval of the adoption of the merger agreement and the completion of the merger.

Coordination on Stockholder Litigation

The Company has agreed that it will promptly advise Knauf of any proceeding brought by any stockholder of the Company against the Company or its directors or officers relating to the merger agreement or the merger and will keep Knauf reasonably informed regarding any such litigation. Each of the Company and Knauf will cooperate and consult with one another in connection with any stockholder litigation relating to the merger agreement or the merger. The Company will give Knauf the opportunity to participate in, subject to a customary joint defense agreement, and will give due consideration to Knauf s advice with respect to such litigation, but the Company will control the defense or settlement, if any, of any such litigation, except that in the event that a proposed settlement (i) would prevent, materially impair or materially delay the completion of the merger or (ii) involve stockholder litigation settlements that requires monetary payments by the Company in excess of $5 million in the aggregate, then the Company will not enter into such settlement without the prior written consent of Knauf.

Liability Management

The Company will provide Knauf reasonable assistance in connection with (i) the repayment, redemption or satisfaction and discharge of any indebtedness of the Company or its subsidiaries and (ii) any tender offers, exchange offers or consent solicitations to holders of the Company s $350 million aggregate principal amount of 5.50% senior notes due 2025 and $500 million aggregate principal amount of 4.875% senior notes due 2027.

Cooperation Relating to UBBP Joint Venture

The Company will reasonably cooperate with Knauf in connection with (i) delivering any notices and other information relating to the merger agreement that may be required to be provided pursuant to the Shareholders Agreement, dated February 28, 2014, by and among the Company, USG Netherlands Global Holdings B.V., Boral International Pty Limited, Boral Building Materials Pty Limited, Boral Limited, USG Boral Building Products Pte Limited and USG Boral Building Products Pty Limited (the UBBP shareholders agreement), or as may be otherwise reasonably requested by Knauf and (ii) facilitating discussions with the other shareholders of USG Boral Building Products Pte Limited and USG Boral Building Products Pty Limited (collectively, the UBBP joint venture) regarding the business relationship between Knauf, the Company and the UBBP joint venture.

Other Covenants and Agreements

The merger agreement also contains additional covenants, including covenants relating to (i) the filing of this proxy statement, (ii) the delisting and deregistration of the Company s common stock, (iii) public

announcements with respect to the transactions contemplated by the merger agreement, (iv) other actions related to takeover defenses and statutes and reporting requirements under Section 16 of the Exchange Act and (v) ownership by Knauf of shares of the Company s common stock.

Conditions to Completion of the Merger

Each party s respective obligation to complete the merger is subject to the satisfaction or waiver at or prior to the effective time of the merger of the following conditions:

- the Company must have obtained stockholder approval of the adoption of the merger agreement;
- the expiration or earlier termination of the waiting period applicable to the completion of the merger under the HSR Act and all consents, approvals or authorizations of, declarations or filings with or notices to any governmental authority pursuant to any other applicable competition law or foreign investment law in connection with the completion of the merger must have been obtained; and
- no law, order or injunction having been enacted, issued, promulgated, enforced or entered by a court or other governmental entity of competent jurisdiction is in effect that enjoins or otherwise prohibits the completion of the merger.

The respective obligations of Knauf and Merger Sub to complete the merger are subject to the satisfaction or waiver by Knauf at or prior to the closing of the following additional conditions:

- the accuracy of the representations and warranties of the Company as of the closing date (except for any representations and warranties made as of a particular date or period, which representations and warranties must be true and correct only as of that date or period), generally subject to a material adverse effect or other qualification provided in the merger agreement; and
- the performance by the Company in all material respects with all covenants and agreements required to be performed by it under the merger agreement on or prior to the effective time of the merger.

The obligations of the Company to complete the merger is subject to the satisfaction or waiver by the Company on or prior to the effective time of the merger of the following additional conditions:

- the accuracy of the representations and warranties of Knauf as of the closing date (except for any representations and warranties made as of a particular date or period, which representations and warranties must be true and correct only as of that date or period) in all material respects; and
- the performance by each of Knauf and Merger Sub in all material respects of all obligations required to be performed by it under the merger agreement at or prior to the closing date.

Termination

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, whether before or after obtaining stockholder approval of the adoption of the merger agreement, in the following circumstances:

- by the mutual written consent of Knauf and the Company;
- by either Knauf or the Company, if:
  - the merger has not been completed by the end date, except that if, as of 10 business days prior to the end date, all of the mutual closing conditions and closing conditions of the Company have been satisfied or waived, other than the closing condition related to competition law or foreign investment law (as described above) and those conditions set by their nature are to be satisfied at the closing then the end date will be automatically extended to September 1, 2019;

any restraint (as defined in the merger agreement) permitting restraining, enjoining or prohibiting the completion of the merger or making of the merger illegal is in effect and has become final and non-appealable;

stockholder approval of the adoption of the merger agreement is not obtained at the special meeting at which a vote on the adoption of the merger agreement was taken; or

by Knauf, if:

the Company has breached or failed to perform any of, or there is any inaccuracy in, its representations, warranties, covenants or agreements contained in the merger agreement and such breach or failure to perform (i) is incapable of being cured by the Company or, if capable of being cured, is not cured prior to the earlier of the end date and 30 days after the date written notice thereof is given by Knauf to the Company and (ii) would result in a failure of any condition to obligations of Knauf to complete the merger related to the Company s representations and warranties; or

any change in recommendation by the Board has occurred; or

by the Company;

if Knauf or Merger Sub has breached or failed to perform any of, or there is any inaccuracy in, its representations, warranties, covenants or agreements contained in the merger agreement and such breach or failure to perform (i) is incapable of being cured by Knauf or Merger Sub or, if capable of being cured, is not cured prior to the earlier of the end date and 30 days after the date written notice thereof is given by the Company and (ii) would result in a failure of any condition to obligations of the Company to complete the merger related to Knauf s representations and warranties; or

prior to obtaining stockholder approval of the adoption of the merger agreement, in order to concurrently enter into a definitive written agreement with respect to a superior proposal, provided that the Company has complied with the terms of the merger agreement.

Company Termination Fee

The Company will pay to Knauf the termination fee if the merger agreement is terminated under the following conditions:

if (i) the merger agreement is terminated by either Knauf or the Company because the merger has not been completed prior to the end date, is terminated by either Knauf or the Company because stockholder approval of the adoption of the merger agreement is not obtained at the special meeting, in each case at which a vote

on the adoption of the merger agreement was taken, or is terminated by Knauf because the Company has breached or failed to perform any of, or there is any inaccuracy in, its representations, warranties, covenants or agreements contained in the merger agreement and such breach or failure to perform (A) is incapable of being cured by the Company or, if capable of being cured, is not cured prior to the earlier of the end date and 30 days after the date written notice thereof is given by Knauf to the Company and (B) would result in a failure of any condition to obligations of Knauf to complete the merger related to the Company s representations and warranties, and in any such case an acquisition proposal has become known to the Board or has been publicly announced or has otherwise become publicly known, at any time after the date of the merger agreement and prior to the date of the termination of the merger agreement or, with respect to termination because stockholder approval of the adoption of the merger agreement is not obtained at the special meeting, in each case at which a vote on the adoption of the merger agreement was taken, prior to the time of the taking of the vote of the stockholders of the Company at the special meeting, and such acquisition proposal has not been withdrawn, and (ii) within 12 months after the date of such termination, the Board recommends that stockholders vote in favor of, or tender their shares into, any acquisition proposal (including any

Table of Contents

acquisition proposal made after the date of the termination of the merger agreement), or the Company enters into a contract with respect to an acquisition proposal, or completes the transaction contemplated by any acquisition proposal (including any acquisition proposal made after the date of the termination of the merger agreement), then the Company will pay the termination fee concurrently with the date the Company completes such transaction; provided that, in all of the aforementioned instances, all references to 15 percent included in the definition of the term acquisition proposal will be deemed to refer to 50 percent;

if the merger agreement is terminated by Knauf because a change in recommendation has occurred;

if the merger agreement is terminated by the Company because the merger has not been completed prior to the end date or because stockholder approval of the adoption of the merger agreement is not obtained at the special meeting at which a vote on the adoption of the merger agreement was taken and, at the time of such termination, Knauf is entitled to terminate the merger agreement because a change in recommendation has occurred; or

if the merger agreement is terminated by the Company prior to obtaining stockholder approval of the adoption of the merger agreement in order to concurrently enter into a definitive written agreement with respect to a superior proposal.

Expenses

Except as otherwise provided in the merger agreement, whether or not the merger is completed, all fees and expenses incurred in connection with the merger will be paid by the party incurring such fees and expenses.

Amendment; Extension

The merger agreement may be amended by the parties at any time before or after obtaining stockholder approval of the adoption of the merger agreement or by the sole stockholder of Merger Sub, but after obtaining stockholder approval of the adoption of the merger agreement, no amendment will be made which by law or in accordance with the rules of the NYSE requires further adoption or approval by any Company stockholders without such further adoption and approval, as applicable.

At any time prior to the effective time of the merger, the parties may to the extent legally permitted (i) extend the time for the performance of any of the obligations or other acts of the other parties, (ii) waive any inaccuracies in the representations and warranties contained in the merger agreement, and (iii) waive compliance with any of the agreements or conditions contained in the merger agreement. No extension or waiver will be made which by law or in accordance with the rules of the NYSE requires further approval by the stockholders of the Company without such further approval.

Governing Law; Enforcement

Under the merger agreement, each of the parties has agreed that it will bring any action or proceeding in respect of any claim arising under or relating to the merger agreement or the transactions contemplated by the merger agreement exclusively in the Court of Chancery of the State of Delaware or, if that court does not have jurisdiction, another federal or state court located in the State of Delaware. However, each of the parties has agreed that it will not bring or support any action or claim against or involving any financing party or certain related parties to the financing parties

relating to the merger agreement or any of the transactions contemplated by the merger agreement in any forum other than the Supreme Court of the State of New York, County of New York, located in the Borough of Manhattan, or, if under applicable law exclusive jurisdiction is vested in the federal courts, the United States District Court for the Southern District of New York (and the appellate courts thereof).

The provisions of the merger agreement relating to the submission to jurisdiction in the U.S. courts by Knauf are not intended and will not be deemed to constitute a submission by Knauf to such jurisdiction other

Table of Contents

than solely for purposes of any proceeding arising out of or relating to the merger agreement and the transactions contemplated thereby, including any proceedings initiated by the persons entitled to indemnification pursuant to the merger agreement or holders of shares or equity rights to enforce their rights under the merger agreement.

Each of the parties acknowledges and agrees in the merger agreement that irreparable damage would occur in the event that any provision of the merger agreement was not performed in accordance with its specific terms or was otherwise breached, and that monetary damages may be available for such breach, but that damages would not be an adequate remedy. Accordingly, the parties have agreed they will be entitled to an injunction or injunctions to prevent breaches of the merger agreement and to enforce specifically the performance of the terms and provisions with or without proof of actual damages. The parties have further agreed not to assert that equitable or injunctive relief or any order of specific enforcement is unenforceable, invalid, contrary to law or inequitable for any reason.

Table of Contents

THE VOTING AGREEMENT

The following is a summary of the material provisions of the voting agreement, the form of which is attached as Exhibit A to the merger agreement which is attached to this proxy statement as Annex A and which is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the voting agreement that is important to you. We encourage you to read carefully the voting agreement in its entirety, as the rights and obligations of the parties thereto are governed by the express terms of the voting agreement and not by this summary or any other information contained in this proxy statement.

Explanatory Note Regarding the Voting Agreement

The voting agreement and this summary of its terms are included to provide you with information regarding its terms. The representations, warranties and covenants made in the voting agreement by Berkshire, Knauf and Merger Sub were made solely to the parties to, and solely for the purposes of, the voting agreement and as of specific dates and were qualified and subject to important limitations agreed to by the parties thereto in connection with negotiating the terms of the voting agreement. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts relating to Berkshire, Knauf and Merger Sub or any of their respective subsidiaries or affiliates.

Summary

Concurrently with the execution of the merger agreement, Berkshire entered into the voting agreement with Knauf and Merger Sub with respect to the subject shares. Under the voting agreement, Berkshire agreed, among other things and subject to the terms therein, to vote the subject shares then beneficially owned by Berkshire, directly or indirectly, **FOR** adoption of the merger agreement, approval of the merger and the consummation of all of the transactions contemplated thereby and against any competing acquisition proposals relating to the Company.

Under the voting agreement, Berkshire agreed to take the following actions, among others, during the term of the voting agreement, at the special meeting, including any adjournment or postponement thereof, and in any other circumstance in which Berkshire is entitled to vote, consent or give any other approval (including by written consent): (i) with respect to the merger or the merger agreement, to vote (or cause to be voted) all of the subject shares then beneficially owned in favor of adoption of the merger agreement and the approval of the merger and the completion of all of the transactions contemplated thereby; and (ii) to vote (or cause to be voted) all of the subject shares then owned against (A) any action or omission that would result in a breach of any representation, warranty, covenant, agreement or other obligation of Berkshire under the voting agreement, or (B) any acquisition proposal, whether or not a superior proposal. As provided in its Schedule 13D filed on June 11, 2018, Berkshire has voting power of approximately 31.1% of the shares of our common stock issued and outstanding based on 139,462,508 shares of our common stock outstanding as of June 7, 2018 as represented in the merger agreement.

The voting agreement will terminate upon the earlier to occur of (i) the effective time of the merger, (ii) the date on which the merger agreement is terminated in accordance with its terms, (iii) five business days after delivery of written notice of termination by Berkshire to Knauf if after the date of the voting agreement any acquisition proposal relating to the Company has been publicly announced or otherwise becomes publicly known, (iv) the date of any material modification, amendment or waiver of or to the merger agreement as in effect as of the date of the voting agreement, which Berkshire believes has an adverse effect on the consideration payable to stockholders of the Company upon completion of the merger, (v) September 1, 2019 and (vi) the mutual written agreement of Knauf and Berkshire to terminate the voting agreement.

The Company is not a party to the voting agreement. Knauf has agreed in the merger agreement, however, that it will not amend, modify or waive any provision of the voting agreement without the prior written consent of the Company.

Table of Contents

PROPOSAL 2: NON-BINDING, ADVISORY VOTE ON TRANSACTION-RELATED NAMED EXECUTIVE OFFICER COMPENSATION

As required by Section 14A of the Exchange Act and the applicable SEC rules issued thereunder, we are providing our stockholders with a separate non-binding, advisory vote to approve the transaction-related named executive officer compensation, as described in the table entitled *Quantification of Potential Payments and Benefits to Our Named Executive Officers in Connection with the Merger* under *Proposal 1: The Merger Interests of Our Directors and Executive Officers in the Merger*, including the footnotes to the table and related narrative discussion.

The Board encourages you to review carefully the transaction-related named executive officer compensation information disclosed in this proxy statement.

The Board unanimously recommends you approve the following resolution:

RESOLVED, that the compensation that may be paid or become payable to USG s named executive officers in connection with the merger, and the agreements or understandings pursuant to which such compensation may be paid or become payable, in each case as disclosed pursuant to Item 402(t) of Regulation S-K in the table in the section of USG s proxy statement entitled *Proposal 1: The Merger Interests of Our Directors and Executive Officers in the Merger Quantification of Potential Payments and Benefits to Our Named Executive Officers in Connection with the Merger*, including the footnotes to the table and the related narrative discussion, is hereby APPROVED.

The vote on this proposal is a vote separate and apart from the vote to adopt the merger agreement. Accordingly, a stockholder may vote to approve the transaction-related named executive officer compensation and vote not to adopt the merger agreement and vice versa. Because the vote on this proposal is advisory in nature only, it will not be binding on either the Company or Knauf. Accordingly, if stockholder approval of the adoption of the merger agreement is obtained and the merger is completed, the transaction-related named executive officer compensation will or may be paid or become payable to our named executive officers in accordance with the terms of their compensation agreements and arrangements even if stockholders fail to approve this proposal.

If you sign and return a proxy card and do not indicate how you wish to vote on any proposal, or if you sign and return a proxy card and indicate that you wish to vote **FOR** adoption of the merger agreement but do not indicate a choice on the non-binding, advisory vote on the transaction-related named executive officer compensation, your shares of our common stock will be voted **FOR** approval of the non-binding, advisory vote on the transaction-related named executive officer compensation.

The above resolution approving, on a non-binding, advisory basis, the transaction-related named executive officer compensation requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote and which is actually so voted with respect to this proposal.

The Board unanimously recommends you vote FOR approval, on a non-binding, advisory basis, of the transaction-related named executive officer compensation.

Table of Contents

PROPOSAL 3: VOTE ON ADJOURNMENT

You are being asked to consider and vote on a proposal that will give the Board authority to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies to adopt the merger agreement, if there are insufficient votes at the time of the special meeting to adopt the merger agreement or in the absence of a quorum. If this adjournment proposal is approved, the special meeting could be adjourned by the Board to any date. In addition, the Board could postpone the special meeting before it commences. Pursuant to the merger agreement, the Company is not permitted to postpone or adjourn the special meeting, except to the extent (i) Knauf consents to such adjournment or postponement in writing or (ii) the Company, acting in good faith after consulting with outside legal counsel, determines that (a) such postponement or adjournment is necessary to ensure that any required supplement or amendment to this proxy statement is provided to stockholders within a reasonable amount of time in advance of the special meeting, (b) it will not receive proxies sufficient to obtain stockholder approval of the adoption of the merger agreement, whether or not a quorum is established, or it will not have a sufficient number of shares of our common stock represented in person or by proxy to constitute a quorum necessary to conduct the business of the special meeting, or (c) such postponement or adjournment is required to comply with applicable law. In the case of a postponement or adjournment in accordance with clause (ii) above, the date of the special meeting will not be postponed or adjourned by more than an aggregate of 15 calendar days without Knauf s prior written approval (not to be unreasonably withheld, conditioned or delayed).

If the special meeting is adjourned for the purpose of soliciting additional proxies, stockholders who have already submitted their proxies will be able to revoke them at any time before their use. If you sign and return a proxy and do not indicate how you wish to vote on any proposal, or if you sign and return a proxy and you indicate that you wish to vote **FOR** adoption of the merger agreement but do not indicate a choice on the adjournment proposal, your shares of our common stock will be voted in favor of the adjournment proposal.

The Company does not anticipate calling a vote on this proposal if the merger agreement is first adopted by the requisite number of shares of our common stock at the special meeting.

The vote on the adjournment proposal is a vote separate and apart from the vote on the proposal to adopt the merger agreement. Accordingly, you may vote to approve the proposal to adopt the merger agreement and vote not to approve the adjournment proposal and vice versa.

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote and which is actually so voted at the special meeting.

The Board unanimously recommends you vote FOR the adjournment proposal, if a vote on the adjournment proposal is called.

Table of Contents

MARKET PRICE OF THE COMPANY S COMMON STOCK

Our common stock is traded on the NYSE and the CHX under the symbol USG.

The following table sets forth during the periods indicated the intra-day high and low sales prices of our common stock, as reported on the NYSE, for the periods indicated:

	Market Price	
	High	**Low**
Fiscal 2018		
Third Quarter (through July 19, 2018)	$ 43.36	$ 43.12
Second Quarter	$ 43.40	$ 38.94
First Quarter	$ 41.18	$ 32.09
Fiscal 2017		
Fourth Quarter	$ 38.91	$ 31.70
Third Quarter	$ 32.96	$ 25.60
Second Quarter	$ 32.97	$ 27.89
First Quarter	$ 34.67	$ 28.14
Fiscal 2016		
Fourth Quarter	$ 32.26	$ 23.71
Third Quarter	$ 30.84	$ 25.31
Second Quarter	$ 29.98	$ 24.30
First Quarter	$ 24.99	$ 15.85

The Company did not pay dividends on its common stock during the periods indicated above. The closing sale price of our common stock on March 23, 2018, which was the business day immediately prior to the public announcement of Knauf s proposal to acquire the Company, was $33.51 per share. On [ ], 2018, the most recent practicable date before the filing of this proxy statement, the closing price for our common stock was $[ ] per share. You are encouraged to obtain current market quotations for our common stock in connection with voting your shares of our common stock.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information is listed below regarding beneficial ownership of our common stock, to the extent known to us, by:

- each person who is a director;
- each named executive officer;
- all current directors and executive officers as a group; and
- each person known to us to be the beneficial owner of 5% or more of our common stock.

Except as otherwise noted, each person has sole voting and investment power as to his or her shares of our common stock. All information is provided as of July 17, 2018, based on the outstanding share count of 139,516,879 on such date.

Directors and Named Executive Officers

Name	Common Shares Beneficially Owned, Excluding Shares Subject to Options and Restricted Stock Units[(a)]	Shares Subject to Vested Options and Restricted Stock Units that Vest Within 60 Days	Deferred Stock Units[(b)]	Total Beneficial Stock and Stock Unit Holdings[(c)]
Jose Armario[(d)]	6,534		78,291	84,825
Thomas A. Burke	710		16,425	17,135
Matthew Carter, Jr.			19,990	19,990
Brian J. Cook	66,425	37,063		103,488
Gretchen R. Haggerty	41,713			41,713
William H. Hernandez	17,905		27,049	44,954
Matthew F. Hilzinger[(e)]	61,175	34,300		95,475
Brian A. Kenney	36,659			36,659
Richard P. Lavin	36,657		1,133	37,790
Steven F. Leer	5,818		93,459	99,277
Gregory D. Salah[(f)]	28,572	6,885		35,457
Jennifer F. Scanlon	51,467	53,220		104,687
Michelle M. Warner				
	449,467	228,926	236,347	914,740

All current directors and executive officers as a group (17 persons)

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

(b) *Indicates the non-voting deferred stock units credited to the account of the individual director or members of the group under current and past director compensation programs. The units increase or decrease in value in direct proportion to the market value of our common stock and are paid in shares of our common stock following termination of Board service. However, as described in the 2017 Director Compensation table on page 23 of the Company s proxy statement on Schedule 14A for its 2018 annual meeting of stockholders, one director elected to continue the option to receive cash or shares of our common stock for deferred stock units earned between January 1, 2008 and August 30, 2017. Deferred stock units earned under a previous deferred compensation program prior to January 1, 2008 will only be paid in cash in accordance with the terms of that program.*

(c) *As of July 17, 2018, neither any director, director nominee nor executive officer, nor the current directors and executive officers of our Company as a group, beneficially owned more than 1% of our Company s outstanding common stock.*

(d) *Includes 2,619 shares of our common stock held by trusts for the benefit of Mr. Armario s children.*

(e) *Includes 35,580 shares of our common stock held by the M&S Hilzinger Family, LP, over which Mr. Hilzinger and his wife share voting and investment power.*

(f) *Includes 3,000 shares of our common stock held by the Sloan D. Salah Trust, over which Mr. Salah and his wife share voting and investment power.*

Principal Stockholders

The following table provides information regarding the beneficial ownership of our common stock by all persons known by us to be the beneficial owner of more than 5% of our common stock as of July 17, 2018. This information is based upon statements on Schedule 13D or 13G or Form 3 or 4 filed by those persons with the SEC and Knauf s public filings with the SEC. Calculations of beneficial ownership are based on the outstanding share count of 139,516,879 on July 17, 2018.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Berkshire Hathaway Inc.[(a)] 1440 Kiewit Plaza Omaha, Nebraska 68131	43,387,980	31.1%
Gebr. Knauf KG[(b)] Am Bahnhof 7 97346 Iphofen Federal Republic of Germany	14,757,258	10.6%

(a) *The number of shares of our common stock shown as beneficially owned includes (a) 39,002,016 shares of our common stock held by National Indemnity Company, a Nebraska insurance corporation (NICO), which is an indirect subsidiary of Berkshire Hathaway, (b) 14,035,088 shares of our common stock (the BH Nebraska Shares) held by Berkshire Hathaway Life Insurance Company of Nebraska, a Nebraska corporation (BH Nebraska), (c) 7,894,736 shares of our common stock (the BH Assurance Shares, and together with the BH Nebraska Shares, the Nebraska/Assurance Shares) held by Berkshire Hathaway Assurance Corporation, a New York corporation (BH Assurance), and (d) 4,385,964 shares of our common stock (the General Re Life Shares) held by General Re Life Corporation, a Connecticut corporation (General Re Life). Mr. Buffett may be deemed to control Berkshire Hathaway, which controls BH Nebraska, BH Assurance and General Re Life. Thus, both Mr. Buffett and Berkshire Hathaway may be considered to have beneficial ownership of the Nebraska/Assurance Shares and the General Re Life Shares. NICO, a direct subsidiary of Berkshire Hathaway and the direct parent company of BH Nebraska and BH Assurance, also may be considered to have beneficial ownership of the Nebraska/Assurance Shares. General Reinsurance Corporation, a Delaware corporation (General Reinsurance), an indirect subsidiary of Berkshire Hathaway and the direct parent company of General Re Life, also may be considered to have beneficial ownership of the General Re Life Shares. General Re Corporation, a Delaware corporation (General Re), a direct subsidiary of Berkshire Hathaway and the direct*

parent company of General Reinsurance, also may be considered to have beneficial ownership of the General Re Life Shares. BH Nebraska has voting and investment power with respect to the BH Nebraska Shares. BH Assurance has voting and investment power with respect to the BH Assurance Shares. However, Mr. Buffett, Chairman of the Board of Directors of Berkshire Hathaway, who may be deemed to control BH Nebraska and BH Assurance, directs the investment of BH Nebraska and BH Assurance. Thus, Mr. Buffett, Berkshire Hathaway, and NICO share voting and investment power with respect to the Nebraska/Assurance Shares. General Re Life has voting and investment power with respect to General Re Life Shares. However, Mr. Buffett, Chairman of the Board of Directors of Berkshire Hathaway, who may be deemed to control General Re Life, directs the investment of General Re Life. Thus, Mr. Buffett, Berkshire Hathaway, General Reinsurance and General Re share voting and investment power with respect to the General Re Life Shares.

(b) C & G Verwaltungs GmbH, a limited liability company organized under the laws of the Federal Republic of Germany (C&G), is an indirect subsidiary of Knauf controlled by members of the Knauf family. Martin

Table of Contents

Stürmer and Jörg Schanow are the general managers of C&G, and Alexander Knauf and Manfred Grundke are the general partners of Knauf. C&G and Knauf both report that they have sole voting and dispositive power with respect to 14,757,258 shares of our common stock. On June 11, 2018, Knauf filed a Schedule 13D to report entry into the voting agreement with Berkshire, which could impact the number of shares that Knauf could be deemed to beneficially own. In Knauf s June 11, 2018 Schedule 13D, Knauf disclaims that it constitutes a group (within the meaning of Section 13(d)(3) of the Exchange Act) with Berkshire Hathaway and, pursuant to Rule 13d-4 under the Exchange Act, disclaims beneficial ownership of any shares of our common stock beneficially owned by Berkshire Hathaway or any of its affiliates.

Table of Contents

APPRAISAL RIGHTS

Under the DGCL, you have the right to dissent from the merger and to receive payment in cash for the fair value of your shares of our common stock as determined by the Delaware Court of Chancery, together with interest, if any, as determined by the Delaware Court of Chancery, in lieu of the consideration you would otherwise be entitled to pursuant to the merger agreement. These rights are known as appraisal rights. Stockholders electing to exercise appraisal rights must comply with the provisions of Section 262 of the DGCL in order to perfect and preserve their rights. Strict compliance with the statutory procedures is required to perfect appraisal rights under Delaware law.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a stockholder in order to dissent from the merger and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the DGCL, the full text of which appears in Annex D to this proxy statement. Failure to strictly follow any of the statutory procedures set forth in Section 262 of the DGCL will result in the loss or waiver of your appraisal rights. All references in this summary to a stockholder are to the record holder of shares of our common stock of the Company unless otherwise indicated.

Beneficial owners of shares of our common stock who do not also hold such shares of our common stock of record may not directly make appraisal demands to the Company and may have the registered owner, such as a broker, bank or other nominee, submit the required demand in respect of those shares of our common stock. If shares of our common stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in that capacity, and if the shares of our common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal on behalf of a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. In the event a record owner, such as a broker, bank or other nominee, who holds shares of our common stock as a nominee for others, exercises his, her or its right of appraisal with respect to the shares of our common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners, we recommend that the written demand state the number of shares of our common stock as to which appraisal is sought. Where no number of shares of our common stock is expressly mentioned, we will presume that the demand covers all shares of our common stock held in the name of the record owner. If you hold your shares of our common stock in a brokerage account, bank or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Section 262 of the DGCL requires that stockholders for whom appraisal rights are available be notified not less than 20 days before the stockholders meeting to vote on the merger in connection with which appraisal rights will be available. A copy of Section 262 of the DGCL must be included with such notice. This proxy statement constitutes our notice to the Company s stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262 of the DGCL and a copy of the full text of Section 262 of the DGCL is attached hereto as Annex D. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 of the DGCL contained in Annex D to this proxy statement since failure to timely and properly comply with the requirements of Section 262 of the DGCL will result in the loss or waiver of your appraisal rights under the DGCL.

If you elect to demand appraisal of your shares of our common stock, you must satisfy each of the following conditions:

You must deliver to us a written demand for appraisal of your shares of our common stock before the vote with respect to the adoption of the merger agreement is taken. This written demand for appraisal

must be in addition to and separate from any proxy or vote abstaining from or voting against adoption of the merger agreement. Voting against or failing to vote for adoption of the merger agreement by itself does not constitute a demand for appraisal within the meaning of Section 262 of the DGCL. The demand must reasonably inform us of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares of our common stock. A stockholder s failure to make a written demand before the vote with respect to the merger is taken will constitute a waiver of appraisal rights.

You must not vote **FOR**, or consent in writing to, adoption of the merger agreement. A vote **FOR** adoption of the merger agreement, by proxy submitted by mail, over the Internet, by telephone or in person, will constitute a waiver of your appraisal rights in respect of the shares of our common stock so voted and will nullify any previously filed written demands for appraisal. A proxy which does not contain voting instructions will, unless revoked, be voted **FOR** adoption of the merger agreement. Therefore, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the merger agreement or abstain from voting on the merger agreement.

You must continue to hold your shares of our common stock from the date of making the demand through the effective date of the merger. Therefore, a stockholder who is the record holder of shares of our common stock on the date the written demand for appraisal is made but who thereafter transfers the shares of our common stock before the effective date of the merger will lose any right to appraisal with respect to such shares of our common stock.

If you fail to comply with any of these conditions and the merger is completed, you will be entitled to receive the closing consideration, but you will have no appraisal rights with respect to your shares of our common stock.

All demands for appraisal pursuant to Section 262 of the DGCL must be addressed to the Company in care of the Corporate Secretary at USG Corporation, 550 West Adams Street, Chicago, Illinois 60661-3676, and must be delivered before the vote on the adoption of the merger agreement is taken at the special meeting and should be executed by, or on behalf of, the record holder of the shares of our common stock. To be effective, the demand must reasonably inform the Company of the identity of the stockholder and that the stockholder intends thereby to demand appraisal of his, her or its shares in connection with the merger.

Within 10 days after the effective date of the merger, the surviving corporation (*i.e.*, USG Corporation) must give written notice that the merger has become effective to each stockholder who has properly filed a written demand for appraisal and who did not vote **FOR** adoption of the merger agreement. At any time within 60 days after the effective date of the merger, any stockholder who has demanded an appraisal, and who has not commenced an appraisal proceeding or joined that proceeding as a named party, has the right to withdraw such stockholder s demand for appraisal and to accept the closing consideration specified by the merger agreement for his or her shares of our common stock; after this period, the stockholder may withdraw such demand for appraisal only with the consent of the surviving corporation.

Within 120 days after the effective date of the merger, any stockholder who has complied with Section 262 of the DGCL will, upon written request to the surviving corporation, be entitled to receive a written statement setting forth the aggregate number of shares of our common stock not voted **FOR** adoption of the merger agreement and with respect to which demands for appraisal rights have been received and the aggregate number of holders of such shares. A person who is the beneficial owner of shares of our common stock held in a voting trust or by a nominee on behalf of such person may, in such person s own name, request from the Company the statement described in the previous sentence. Such written statement will be mailed to the requesting stockholder within 10 days after such written request

is received by the Company or within 10 days after expiration of the period for delivery of demands for appraisal, whichever is later.

Within 120 days after the effective date of the merger, but not thereafter, either the Company or any stockholder who has complied with the requirements of Section 262 of the DGCL and who is otherwise entitled

to appraisal rights may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of our common stock held by all stockholders entitled to appraisal. A person who is the beneficial owner of shares of our common stock held in a voting trust or by a nominee on behalf of such person may, in such person s own name, file the petition described in the previous sentence. Upon the filing of the petition by a stockholder, service of a copy of such petition shall be made upon the Company, as the surviving corporation. The Company has no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of a stockholder to file such a petition within the time period and the manner prescribed in Section 262 of the DGCL could nullify the stockholder s previously written demand for appraisal. There is no present intent on the part of the Company to file an appraisal petition, and stockholders seeking to exercise appraisal rights should not assume that the Company will file such a petition or that the Company will initiate any negotiations with respect to the fair value of such shares. Accordingly, stockholders who desire to have their shares of our common stock appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262 of the DGCL.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the Company, the Company will then be obligated, within 20 days after receiving service of a copy of the petition, to file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares of our common stock and with whom agreements as to the value of their shares of our common stock have not been reached by the Company. The Register in Chancery, if so ordered by the Delaware Court of Chancery, must give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving corporation and to the stockholders shown on the list at the addresses therein stated. Such notice must also be given by one or more publications at least one week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Delaware Court of Chancery deems advisable. The forms of the notices by mail and by publication must be approved by the Delaware Court of Chancery, and the costs thereof will be borne by the surviving corporation. At the hearing on such petition, the Delaware Court of Chancery will determine the stockholders who have complied with Section 262 of the DGCL and who have become entitled to appraisal rights. The Delaware Court of Chancery may require the stockholders who have demanded appraisal for their shares of our common stock and who hold stock represented by certificates to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder. If immediately before the merger the shares of our common stock of the class or series of stock as to which appraisal rights are available were listed on a national securities exchange, the Delaware Court of Chancery will dismiss the proceedings as to all holders of such shares who are otherwise entitled to appraisal rights unless (i) the total number of shares of our common stock entitled to appraisal exceeds 1% of the outstanding shares of our common stock of the class or series eligible for appraisal, (ii) the value of the consideration provided in the merger for such total number of shares of our common stock exceeds $1 million or (iii) the merger was approved pursuant to Sections 253 or 267 of the DGCL.

After the Delaware Court of Chancery s determination of the stockholders entitled to appraisal of their shares of our common stock, the Delaware Court of Chancery will appraise the shares of our common stock, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any. Unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown, and except as otherwise provided in Section 262 of the DGCL, interest from the effective date of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. At any time before the entry of judgment in the proceedings, the surviving corporation may pay to each stockholder entitled to appraisal an amount in cash, in which case interest shall accrue thereafter only upon the sum of (i) the difference, if any, between the amount paid and the fair value of

the shares of our common stock as determined by the Delaware Court of Chancery, and (ii) interest theretofore accrued, unless paid at that time. Upon

application by the Company or by any stockholder entitled to participate in the appraisal proceeding, the Delaware Court of Chancery may, in its discretion, proceed to trial upon the appraisal before the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the Company and who has submitted such stockholder s certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under Section 262 of the DGCL. When the fair value is determined, the Delaware Court of Chancery will direct the payment of such value, with interest thereon, if any, by the surviving corporation to the stockholders entitled to receive the same, in the case of holders of uncertificated stock forthwith, and in the case of holders of shares of our common stock represented by certificates upon the surrender to the Company of the certificates representing such stock.

In determining the fair value of the shares of our common stock and, if applicable, interest, the Delaware Court of Chancery is required to take into account all relevant factors. In *Weinberger* v. *UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that [f]air price obviously requires consideration of all relevant factors involving the value of a company.

The Delaware Supreme Court has stated that in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 of the DGCL provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co.* v. *Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

You should be aware that the fair value of your shares of our common stock as determined under Section 262 of the DGCL could be more than, the same as, or less than the value that you are entitled to receive under the terms of the merger agreement and that an opinion of an investment banking firm as to the fairness, from a financial point of view, of the consideration payable in a sale transaction, such as the merger, is not an opinion as to, and does not otherwise address, fair value under Section 262 of the DGCL.

Moreover, we do not anticipate offering more than the per share closing consideration to any stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262 of the DGCL, the fair value of a share of common stock is less than the per share closing consideration.

Costs of the appraisal proceeding may be imposed upon the surviving corporation and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery as the Delaware Court of Chancery deems equitable in the circumstances. Upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares of our common stock entitled to appraisal. Any stockholder who has demanded appraisal under Section 262 of the DGCL will not, after the effective time of the merger, be entitled to vote shares of our common stock subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date before the effective time of the merger; however, if no petition for appraisal is filed within 120 days after the effective date of the merger, or if the stockholder delivers a written withdrawal of his, her or its demand for appraisal and an acceptance of the terms of the merger either within 60 days

after the effective date of the merger or thereafter with

Table of Contents

the written approval of the Company, then the right of that stockholder to appraisal will cease. No appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the prior approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just; provided, however, that any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party will maintain the right to withdraw its demand for appraisal and to accept the closing consideration that such holder would have received pursuant to the merger agreement within 60 days after the effective date of the merger.

In view of the complexity of Section 262 of the DGCL, stockholders who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors. **To the extent there are any inconsistencies between the foregoing summary and Section 262 of the DGCL, Section 262 of the DGCL shall govern.**

Table of Contents

MULTIPLE STOCKHOLDERS SHARING ONE ADDRESS

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

If you would like to change your householding election, request that a single copy of this or future proxy materials be sent to your address, or request a separate copy of this or future proxy materials, you should submit this request by writing Broadridge Financial Solutions, Inc., Householding Department, 51 Mercedes Way, Edgewood, New York, 11717, or calling 1-866-540-7095. We will promptly deliver the proxy materials to you upon receipt of your request. Beneficial owners sharing an address who are receiving multiple copies of the proxy materials and wish to receive a single copy of these materials in the future should contact their broker, bank or other nominee to make this request.

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

Table of Contents

SUBMISSION OF STOCKHOLDER PROPOSALS

We do not expect to hold our 2019 annual meeting of stockholders if the merger is completed on the timeline currently contemplated.

If we do hold our 2019 annual meeting of stockholders, stockholder proposals intended for inclusion in the proxy statement for such meeting must be received by us no later than November 29, 2018. Any such stockholder proposal must comply with Rule 14a-8 of Regulation 14A of the SEC. Under our By-laws, stockholder proposals not intended for inclusion in the proxy statement for the 2019 annual meeting of stockholders, but intended to be raised at our 2019 annual meeting of stockholders, including nominations for election of director(s) other than the Board s nominees, must be received no earlier than December 29, 2018 nor later than January 28, 2019 and must comply with the procedures outlined in our By-laws; provided, however, that if the date of the 2019 annual meeting is advanced more than 30 calendar days prior to or delayed by more than 30 calendar days after the anniversary of the 2018 annual meeting, notice by the stockholder to be timely must be received not later than the close of business on the later of the ninetieth (90th) calendar day prior to the 2019 annual meeting and the tenth (10th) calendar day following the day on which public disclosure of the date of such meeting is first made. The By-laws are accessible on our investor relations website investor.usg.com. A copy of the By-laws also is available upon written request to USG Corporation, c/o Corporate Secretary, 550 West Adams Street, Chicago, Illinois 60661-3676. Our website address has been included as an inactive textual reference only. Our website and the information contained therein or connected thereto are not incorporated into this proxy statement.

Table of Contents

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements or other information that we file with the SEC at the following location of the SEC:

Public Reference Room

100 F Street, N.E.

Washington, D.C. 20549

Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. You may also obtain copies of this information by mail from the Public Reference Section of the SEC at its address above, at prescribed rates. Our public filings are also available to the public from document retrieval services and the Internet website maintained by the SEC at www.sec.gov.

We will make available a copy of our public reports, without charge, on our website at www.usg.com, under the Investor Relations page, as soon as reasonably practicable after we file the reports electronically with the SEC. Our website and the information contained therein or connected thereto are not incorporated into this proxy statement. In addition, you may obtain a copy of the reports, without charge, by contacting us at USG Corporation, c/o Corporate Secretary, 550 West Adams Street, Chicago, Illinois 60661-3676, or by calling (312) 436-4000. Each request must set forth a good faith representation that, as of the record date, the person making the request was a beneficial owner of common stock entitled to vote at the special meeting. In order to ensure timely delivery of the documents before the special meeting, any request should be made promptly, and no later than [ ].

The SEC allows us to incorporate by reference into this proxy statement documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this proxy statement, and later information that we file with the SEC will update and supersede that information. Information in documents that is deemed, in accordance with SEC rules, to be furnished and not filed will not be deemed to be incorporated by reference into this proxy statement unless specifically stated otherwise. We incorporate by reference the documents listed below and any documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement, and before the date of the special meeting:

- our annual report on Form 10-K for the fiscal year ended December 31, 2017;
- our quarterly report on Form 10-Q for the three months ended March 31, 2018;
- our definitive proxy statement for the 2018 Annual Meeting; and
- our current reports on Form 8-K filed on February 1, 2018 (as to Item 8.01 only), May 11, 2018, June 11, 2018 and July 20, 2018 (other than portions of those documents not deemed to be filed).

THIS PROXY STATEMENT DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT TO VOTE YOUR SHARES OF OUR COMMON STOCK AT THE SPECIAL MEETING. NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US OR ANY OTHER PERSON. THIS PROXY STATEMENT IS DATED [ ], 2018. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO STOCKHOLDERS DOES NOT AND WILL NOT CREATE ANY IMPLICATION TO THE CONTRARY.

Table of Contents

ANNEXES

Annex A	Agreement and Plan of Merger, dated June 10, 2018, by and among USG Corporation, Gebr. Knauf KG and World Cup Acquisition Corporation
Annex B	Opinion of Goldman Sachs & Co. LLC, dated as of June 10, 2018
Annex C	Opinion of J.P. Morgan Securities LLC, dated as of June 10, 2018
Annex D	Section 262 of the General Corporation Law of the State of Delaware

Table of Contents

Annex A

AGREEMENT AND PLAN OF MERGER

AMONG

GEBR. KNAUF KG,

WORLD CUP ACQUISITION CORPORATION

AND

USG CORPORATION

DATED AS OF JUNE 10, 2018

Table of Contents

TABLE OF CONTENTS

ARTICLE I DEFINED TERMS		A-2
Section 1.1	Certain Defined Terms	A-2
Section 1.2	Additional Defined Terms	A-10
Section 1.3	Interpretation	A-12
ARTICLE II THE MERGER AND CERTAIN RELATED MATTERS		A-13
Section 2.1	The Merger	A-13
Section 2.2	Closing	A-13
Section 2.3	Effective Time	A-13
Section 2.4	Surviving Corporation Constituent Documents	A-13
Section 2.5	Surviving Corporation Directors and Officers	A-13
Section 2.6	Effect on Capital Stock	A-14
Section 2.7	Treatment of Equity Compensation Awards	A-15
Section 2.8	Further Assurances	A-16
ARTICLE III PAYMENT FOR SHARES		A-16
Section 3.1	Surrender and Payment	A-16
Section 3.2	Lost, Stolen or Destroyed Certificates	A-18
Section 3.3	Withholding Rights	A-18
ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE COMPANY		A-18
Section 4.1	Organization	A-19
Section 4.2	Subsidiaries	A-19
Section 4.3	Capitalization	A-19
Section 4.4	Authorization; Board Approval; Voting Requirements	A-20
Section 4.5	Consents and Approvals; No Violations	A-21
Section 4.6	Takeover Provisions; Rights Plan; Company Confidentiality Agreement	A-22
Section 4.7	SEC Reports; Financial Statements	A-22
Section 4.8	SEC Compliance Matters	A-23
Section 4.9	Absence of Undisclosed Liabilities	A-24
Section 4.10	Absence of Certain Changes	A-24
Section 4.11	Litigation; Investigations	A-24
Section 4.12	Compliance with Laws; Permits	A-25

Section 4.13	Taxes	A-25
Section 4.14	Employee Benefit Plans and Related Matters; ERISA	A-26
Section 4.15	Employees; Labor Matters	A-28

TABLE OF CONTENTS

(continued)

Section 4.16	Intellectual Property	A-28
Section 4.17	Environmental Laws and Regulations	A-30
Section 4.18	Contracts	A-31
Section 4.19	Real Property	A-31
Section 4.20	Products and Product Liability	A-32
Section 4.21	Insurance Coverage	A-32
Section 4.22	UBBP Business	A-32
Section 4.23	Disclosure Documents and Proxy Statement	A-33
Section 4.24	Opinion of Financial Advisor	A-33
Section 4.25	Brokers	A-33
Section 4.26	No Other Representations or Warranties	A-34
ARTICLE V REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB		A-34
Section 5.1	Organization	A-34
Section 5.2	Merger Sub	A-34
Section 5.3	Authorization; Board Approval	A-35
Section 5.4	Consents and Approvals; No Violations	A-35
Section 5.5	Financing	A-36
Section 5.6	Parent Financial Statements	A-37
Section 5.7	Proxy Statement	A-37
Section 5.8	Ownership of Common Stock; Agreements with Stockholders	A-37
Section 5.9	Litigation	A-38
Section 5.10	No Other Representations or Warranties	A-38
ARTICLE VI COVENANTS OF THE PARTIES		A-39
Section 6.1	Operating Covenants	A-39
Section 6.2	Preparation and Mailing of Proxy Statement	A-41
Section 6.3	Stockholders Meeting; Recommendation	A-42
Section 6.4	Access to Information; Confidentiality	A-43
Section 6.5	Acquisition Proposals	A-45

Section 6.6	Confidentiality Agreements	A-47
Section 6.7	Rights Plan and Protective Provisions; State Takeover Laws	A-47
Section 6.8	Section 16 of the Exchange Act	A-47
Section 6.9	Stockholder Litigation	A-47
Section 6.10	Cooperation	A-47
Section 6.11	Financing Assistance	A-48

Table of Contents

TABLE OF CONTENTS

(continued)

Section 6.12	Liability Management	A-50
Section 6.13	Deregistration and Delisting	A-51
Section 6.14	Cooperation Relating to UBBP Companies	A-51
ARTICLE VII ADDITIONAL AGREEMENTS		A-51
Section 7.1	Consents and Approvals	A-51
Section 7.2	Employee Matters	A-54
Section 7.3	Fees and Expenses	A-55
Section 7.4	Directors and Officers Indemnification and Insurance	A-55
Section 7.5	Public Announcements	A-56
Section 7.6	Notice of Certain Events	A-56
Section 7.7	Control of Operations	A-56
Section 7.8	Agreements Relating to Debt Financing	A-56
Section 7.9	Parent Approval; Merger Sub Compliance	A-58
ARTICLE VIII CONDITIONS PRECEDENT		A-58
Section 8.1	Conditions to Each Party s Obligation to Effect the Merger	A-58
Section 8.2	Conditions to Obligations of Parent and Merger Sub	A-58
Section 8.3	Conditions to Obligations of the Company	A-59
Section 8.4	Frustration of Closing Conditions	A-59
ARTICLE IX TERMINATION		A-60
Section 9.1	Termination	A-60
Section 9.2	Effect of Termination	A-60
Section 9.3	Termination Fee	A-61
ARTICLE X GENERAL PROVISIONS		A-62
Section 10.1	Non-Survival of Representations, Warranties and Agreements	A-62
Section 10.2	Notices	A-62
Section 10.3	Entire Agreement; Third Party Beneficiaries	A-64
Section 10.4	Severability	A-64
Section 10.5	Assignment	A-64

Section 10.6	Amendment	A-64
Section 10.7	Extension; Waiver	A-65
Section 10.8	Governing Law and Venue: Waiver of Jury Trial	A-65
Section 10.9	Enforcement	A-66
Section 10.10	No Recourse	A-66
Section 10.11	Counterparts; Effectiveness	A-67

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER dated as of June 10, 2018 (this Agreement) is made and entered into among Gebr. Knauf KG, a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany (Parent), World Cup Acquisition Corporation, a Delaware corporation and an indirect, wholly-owned subsidiary of Parent (Merger Sub), and USG Corporation, a Delaware corporation (the Company). Parent, Merger Sub and the Company are referred to in this Agreement individually as a Party and collectively as the Parties.

RECITALS

WHEREAS, each of the general partners (*Komplementär*) and the shareholders committee (*Gesellschafterausschuss*) of Parent have (a) approved the merger of Merger Sub with and into the Company with the Company surviving the merger upon the terms and subject to the conditions set forth in this Agreement (the merger of Merger Sub with and into the Company being referred to in this Agreement as the Merger) and becoming an indirect, wholly-owned subsidiary of Parent as a result of the Merger, (b) approved the execution, delivery and performance by Parent and Merger Sub of this Agreement and the consummation of the Merger and the other transactions contemplated hereby, and (c) approved and declared advisable this Agreement.

WHEREAS, the Board of Directors of Merger Sub has unanimously (a) approved and declared the advisability of this Agreement, the Merger and the other transactions contemplated by this Agreement and (b) directed that this Agreement be submitted to the sole stockholder of Merger Sub for its adoption and recommended that its sole stockholder adopt this Agreement.

WHEREAS, the Board of Directors of the Company has unanimously (a) determined that this Agreement, the Merger and the other transactions contemplated by this Agreement are fair to, advisable and in the best interests of the Company and its stockholders, (b) approved and declared advisable this Agreement and the consummation by the Company of the transactions contemplated hereby, including the execution, delivery and performance of this Agreement, (c) subject to Section 6.5, resolved to recommend the adoption of this Agreement and the transactions contemplated hereby by the stockholders of the Company, and (d) directed that this Agreement be submitted to the stockholders of the Company for adoption.

WHEREAS, concurrently with the execution and delivery of this Agreement, Parent and Merger Sub have entered into a Voting Agreement, in the form attached hereto as Exhibit A, with certain stockholders of the Company set forth therein (the Voting Agreement) pursuant to which such stockholders, on the terms and subject to the conditions set forth therein, have agreed to vote or cause to be voted all of the subject shares (as defined therein) of common stock of the Company then beneficially owned by them for the approval and adoption of the Merger, this Agreement and the consummation of all of the transactions contemplated thereby.

WHEREAS, the Company, Parent and Merger Sub desire to make and enter into certain representations, warranties, covenants and agreements in connection with the Agreement and also to prescribe certain conditions to the Merger.

WHEREAS, subject to receipt of the Stockholder Approval, the Company intends to declare and pay the Special Dividend promptly following certification of the results of the Stockholders Meeting to all holders of record of Common Stock as of the close of business on the record date for the Stockholders Meeting.

Table of Contents

NOW, THEREFORE, in consideration of the foregoing and their respective representations, warranties, covenants and agreements set forth in this Agreement, and intending to be legally bound hereby, the Parties agree as follows:

AGREEMENT

ARTICLE I

DEFINED TERMS

Section 1.1 Certain Defined Terms. As used in this Agreement, the following terms have the meanings specified in this Section 1.1.

Acceptable Confidentiality Agreement means a written confidentiality agreement between the Company and another Person that (a) contains confidentiality, non-use and other provisions applicable to such Person and its Affiliates and Representatives no less restrictive on the other party than the provisions contained in the Company Confidentiality Agreement (except that such agreement will not be required to contain standstill provisions) and (b) does not contain any provision that would prevent the Company from performing and complying with its obligations under this Agreement, including the Company s obligations to provide any disclosure to Parent required pursuant to Section 6.5.

Acquisition Proposal means any inquiry, proposal or offer from, or indication of interest in making a proposal or offer by, any Person, whether or not subject to conditions, relating to any transaction or series of transaction involving any direct or indirect (a) merger, share exchange, joint venture, partnership, business combination or consolidation, or any similar transaction involving the Company, (b) sale, lease, license, exchange, mortgage, pledge, transfer or other acquisition or transaction, assumption or disposition of 15 percent or more (based on the fair market value thereof) of the consolidated net revenues, net income or assets, including any Securities of the Company Subsidiaries, of the Company and the Company Subsidiaries, taken as a whole, (c) purchase, share issuance, tender offer, exchange offer or other acquisition or transaction (including by way of merger, share exchange, joint venture, partnership, business combination, consolidation or otherwise) that if consummated would result in the Beneficial Ownership by any Person or group (as defined under the Exchange Act) of Securities representing 15 percent or more of the outstanding Common Stock or any other class of voting Securities of the Company or (d) recapitalization, reorganization, liquidation, dissolution or any other similar transaction involving the Company or any Significant Company Subsidiary; *provided* that the term Acquisition Proposal will not include the Merger or the other transactions contemplated by this Agreement.

Affiliate means, with respect to any Person, another Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person, where control means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by Contract, as trustee or executor or otherwise. For purposes of this Agreement, (a) the UBBP Companies will not be considered Affiliates of the Company or any Company Subsidiary, (b) neither Parent nor Berkshire Hathaway Inc. (or any of their respective Affiliates) will be considered Affiliates of the Company or any Company Subsidiary, and (c) neither the Company nor Berkshire Hathaway Inc. (or any of their respective Affiliates) will be considered an Affiliate of Parent or any Subsidiary of Parent.

Beneficial Owner means, with respect to a Security, any Person that, directly or indirectly, through any Contract, relationship or otherwise would be considered the beneficial owner of such Security in accordance with Rule 13d-3 under the Exchange Act. The term Beneficial Ownership will be construed accordingly.

Benefit Plan means any employment, bonus, deferred compensation, incentive compensation, stock purchase, stock option, Equity Right with respect to the stock of the Company or any Company Subsidiary, Stock

A-2

Table of Contents

Plan, termination indemnity, redundancy, change in control, performance, retention, severance or termination pay, sick pay, vacation pay, fringe benefit, educational assistance, housing assistance, relocation or expatriate, moving expense reimbursement, hospitalization or other medical, life, disability, welfare benefit or other insurance, supplemental unemployment benefits, profit-sharing, pension, superannuation or retirement plan, program or Contract, Tax gross-up or Tax indemnity Contract, and each other material employee benefit plan or program, whether written or oral, in each case currently sponsored, maintained or contributed to or required to be contributed to by the Company, any Company Subsidiary or any ERISA Affiliate of the Company or any Company Subsidiary, for the benefit of any current or former director, officer or employee of the Company or any Company Subsidiary, other than any plan or arrangement required by applicable Law or any Contract that may be terminated with less than 60 days notice and without the payment of severance.

Board of Directors means the board of directors of a specified Person.

Business Day means any day, except Saturday or Sunday, on which commercial banks are not required or authorized to close in Frankfurt, Germany, Chicago, Illinois, Dover, Delaware or New York, New York.

Change means a change, circumstance, condition, event, effect, development or state of facts.

Code means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

Common Stock means the Common Stock, par value $0.10 per share, of the Company.

Company Confidential Information means all proprietary, technical, economic, environmental, operational, financial or other business information or material, data, reports, interpretations, forecasts and business plans, in written, oral (including by recording), electronic or visual form, in the possession of, or which has been disclosed to, whether prior to or following the date of this Agreement, Parent or its Affiliates or their respective Representatives by the Company or its Affiliates or Representatives, including pursuant to the access provisions of this Agreement, except, in each case, to the extent that such information can be shown to have been (a) in the public domain (other than as a result of a disclosure by Parent or its Affiliates or Representatives), (b) available to Parent or its Affiliates or Representatives on a non-confidential basis from a source other than the Company or its Affiliates or Representatives without, to such Person s knowledge after reasonable inquiry, being subject to any contractual or other obligation of confidentiality to the Company or its Affiliates or Representatives or (c) independently developed by Parent or its Affiliates or Representations or on their behalf without reference to, incorporation of or other use of any such information or otherwise violating the obligations of Parent or Merger Sub under this Agreement.

Company Confidentiality Agreement means the letter agreement dated as of May 4, 2018 between the Company and Parent.

Company IRBs means, collectively, the Company s (a) $45 million aggregate principal amount of Ohio Air Quality Development Authority industrial revenue bonds, (b) $44.4 million aggregate principal amount of Ohio Air Quality Development Authority industrial revenue bonds, (c) $9 million aggregate principal amount of Ohio Air Quality Development Authority industrial revenue bonds, (d) $10 million aggregate principal amount of City of East Chicago, Indiana industrial revenue bonds, (e) $10 million City of East Chicago, Indiana industrial revenue bonds, (f) $110 million aggregate principal amounts of Pennsylvania Economic Development Financing Authority industrial revenue bonds and (g) $11 million aggregate principal amount of Oregon Economic & Community Development Commission industrial revenue bonds.

Company Notes means, collectively, the Company s (a) $350 million aggregate principal amount of 5.50% senior notes due 2025 and (b) $500 million aggregate principal amount of 4.875% senior notes due 2027.

Table of Contents

Company Notes Indenture means, collectively, the indenture, dated November 1, 2006, between the Company and Wells Fargo, National Association, as trustee, as supplemented by the supplemental indenture no. 6, dated February 24, 2015, among the Company, the Guarantors named therein and U.S. Bank National Association, as successor trustee and the supplemental indenture no. 7, dated May 15, 2017, among the Company, the Guarantors named therein and U.S. Bank National Association, as successor trustee.

Competition Law means any Law, including the HSR Act, the Clayton Act of 1914, as amended, the Sherman Antitrust Act of 1890, as amended, the Federal Trade Commission Act, as amended, and all other applicable Laws that prohibit, restrict or regulate actions having an anticompetitive effect or purpose, including competition, restraint of trade, anti-monopolization, merger control or antitrust Laws.

Constituent Documents means, with respect to any entity, its certificate or articles of incorporation, bylaws and any similar charter, shareholders, shareholders rights, limited liability company, limited partnership, joint venture or similar agreement, or other organizational or governing documents of such entity.

Contract means any legally binding contract, agreement, lease, sublease, license, sublicense, commitment, understanding, warranty, guaranty, mortgage, note, bond, option, warrant or other legally binding arrangement, in each case, whether written or oral.

DGCL means the General Corporation Law of the State of Delaware, as amended.

Environmental Law means any Law relating to the environment, natural resources, pollutants, contaminants or, to the extent relating to exposure to Hazardous Substances, public health and safety, including any Law pertaining to (a) treatment, storage, disposal, generation and transportation of Hazardous Substances, (b) air, water and noise pollution, (c) groundwater or soil contamination, (d) the Release or threatened Release into the environment of Hazardous Substances, including emissions, discharges, injections, spills, escapes or dumping into the environment of pollutants, contaminants or chemicals, (e) the manufacture, processing, use, distribution, treatment, storage, disposal, transportation or handling of Hazardous Substances, (f) underground and other storage tanks or vessels, abandoned, disposed or discarded barrels, containers and other closed receptacles that were used to contain Hazardous Substances, or (g) the protection of natural resources, wildlife, marine sanctuaries and wetlands, including endangered and threatened species.

Environmental Permit means any Permit required pursuant to any applicable Environmental Law.

Equity Right means, with respect to any Person, any Security or obligation convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, or any option, call, restricted stock, deferred stock award, stock unit, phantom award, dividend equivalent, or any stock appreciation right or other instrument the value of which is determined in whole or in part by reference to the market price or value of, shares of capital stock or earnings of such Person.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

ERISA Affiliate means, with respect to any entity, any trade or business, whether or not incorporated, that together with such entity and its Subsidiaries would be deemed a single employer within the meaning of Section 4001 of ERISA.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Financial Statements means the consolidated financial statements of the Company and the Company Subsidiaries included in the SEC Documents.

Financing Sources means each Person (other than Parent or Merger Sub, but including each lender, agent and arranger) that has entered into the Debt Commitment Letter, committed to provide or otherwise entered into agreements in connection with the Debt Financing (including any Alternative Financing) or other financings in connection with the transactions contemplated by this Agreement, including any commitment letters, engagement letters, credit agreements, loan agreements, joinders or indentures pursuant to or relating thereto, together with each Affiliate thereof and each officer, director, employee, partner, trustee, controlling person, stockholder, advisor, attorney, agent and representative of each such Person or Affiliate and their respective successors and assigns.

Foreign Investment Law means any Law intended to prohibit, restrict or regulate acquisitions or investments in Persons organized, domiciled or operating in a jurisdiction by foreign Persons.

Governmental Authority means any federal, state, local, foreign or international court, tribunal, judicial or arbitral body, government, department, commission, board, bureau, agency or other regulatory, administrative or governmental authority.

Hazardous Substance means any substance, material, contaminant, mixture, solution, pollutant or waste that is regulated under any Environmental Law, including petroleum and all fractions thereof, asbestos or asbestos-containing materials in any form or condition and polychlorinated biphenyls.

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

Indebtedness means, without duplication, (a) all indebtedness for borrowed money, or with respect to deposits or advances of any kind, (b) all obligations evidenced by bonds, debentures, notes, mortgages or similar instruments or securities, (c) all obligations issued or assumed as the deferred and unpaid purchase price of property or services (excluding obligations of the Company and the Company Subsidiaries to creditors for inventory, services and supplies incurred in the ordinary course of business consistent with past practices), (d) all lease obligations capitalized on the books and records (as such would be accounted for on a balance sheet prepared in accordance with GAAP as GAAP is in effect on the date of this Agreement), (e) all reimbursement obligations in respect of letters of credit or performance bonds (excluding (i) letters of credit issued for the benefit of suppliers to support accounts payable to suppliers incurred in the ordinary course of business consistent with past practices, (ii) standby letters of credit relating to workers compensation insurance and surety bonds, (iii) surety bonds and customs bonds, and (iv) clearing house guarantees), (f) all net payment obligations under swap, derivative and hedging instruments and Contracts that would be payable upon termination thereof (assuming they were terminated on the date of determination), and (g) all guarantees and Contracts having the economic effect of a guarantee of any Indebtedness of any other Person, other than clearing house guarantees. Notwithstanding the foregoing, Indebtedness will not include intercompany indebtedness, obligations or liabilities between or among the Company and any wholly-owned Company Subsidiaries.

Intellectual Property means all of the following anywhere in the world and all legal rights, title or interest in, under or in respect of the following arising under Law, whether or not filed, perfected, registered or recorded and whether now or later existing, filed, issued or acquired, including all renewals (a) all patents and applications for patents (including all invention disclosures) and all related reissues, reexaminations, divisions, renewals, extensions, provisionals, continuations and continuations in part, (b) all copyrights, copyright registrations and copyright applications, and copyrightable works, (c) all trade dress and trade names, logos, internet addresses and domain names, trademarks and service marks and related registrations and applications, including any intent to use applications, supplemental registrations and any renewals or extensions, all other indicia of commercial source or origin and all goodwill associated with any of the foregoing, (d) all computer software (including source and object code), firmware, development tools, proprietary languages, algorithms, files, records, technical drawings and related documentation,

data and manuals (collectively, "Software"), (e) all mask works, mask work registrations and mask work applications, (f) all inventions (whether patentable or unpatentable and whether or

not reduced to practice), know how, technology, technical data, (g) all trade secrets, including trade secrets embodied in confidential business information, manufacturing and production processes and techniques, research and development information, financial, marketing and business data, pricing and cost information, business and marketing plans, advertising and promotional materials, customer, distributor, reseller and supplier lists and information, correspondence, records, and other documentation (collectively, Trade Secrets), (h) all databases and data collections, and (i) all other proprietary rights (including moral rights, rights related to social media accounts or information (including likes, subscribers or members), rights of personality, identity or privacy).

Intellectual Property License Agreement means a Contract granting or obtaining any right to use or practice any rights under any Intellectual Property to which the Company or any of the Company Subsidiaries is a party or otherwise bound (whether as grantor or grantee or recipient of such right or otherwise).

Intervening Event means a material positive Change with respect to the Company and the Company Subsidiaries or the business of the Company and the Company Subsidiaries, in each case taken as a whole, that (a) is unknown by the Board of Directors or executive management of the Company as of or prior to the date of this Agreement, (b) is not reasonably foreseeable as of the date of this Agreement and (c) first becomes known to the Board of Directors of the Company after the date of this Agreement and on or prior to the date of the Stockholder Approval; *provided* that none of the following will be deemed, either alone or in combination, to constitute or be deemed to contribute to, and none of the following will be taken into account in determining whether there has been, an Intervening Event: (i) the receipt by the Company of an Acquisition Proposal or a Superior Proposal or any inquiry, offer, request or proposal that would be reasonably expected to lead to an Acquisition Proposal or a Superior Proposal or the existence or terms of an Acquisition Proposal, or any inquiry, offer, request or proposal that would reasonably be expected to lead to an Acquisition Proposal or Superior Proposal, (ii) any increase or decrease in the trading price or trading volume of the Common Stock or any Equity Right relating to the Common Stock, or (iii) any action or inaction taken by any Party pursuant to the terms of this Agreement.

IRS means the United States Internal Revenue Service.

IT Systems means the hardware, Software, data communications lines, network and telecommunications equipment, internet-related information technology architecture, wide area network and other information technology equipment owned, leased or licensed by the Company or any of the Company Subsidiaries.

Knowledge means, with respect to the Company, the actual knowledge of any of the individuals set forth in Section 1.1 of the Company Disclosure Letter, in each case with respect to the representations and warranties in the sections set forth opposite such individual s name.

Law means any federal, state, local, municipal, non-U.S., international, multinational or other rule, regulation, statute, Order, ordinance, constitution, treaty, administrative interpretation, directive or code promulgated by any Governmental Authority, including any binding case law.

Lease means any lease, sublease, license, occupancy agreement or similar Contract relating to real property and any and all amendments, renewals, extensions or other modifications thereto.

Leased Real Property means real property and any improvements and fixtures located thereon or attached thereto in which the Company or any of the Company Subsidiaries has acquired interests pursuant to any Lease.

Lien means any mortgage, claim, pledge, hypothecation, encumbrance, lien (statutory or other), servitude, easement, right of way, option, right of first offer or refusal or other charge or security interest of any kind or nature whatsoever

(including any conditional sale or other title retention Contract).

Material Adverse Effect means, with respect to the Company, a Change that, individually or in the aggregate, is or would reasonably be expected to be materially adverse to the business, assets, financial

condition, operations or results of operations of the Company and the Company Subsidiaries, taken as a whole; *provided* that none of the following will be deemed, either alone or in combination, to constitute, and none of the following will be taken into account in determining whether there has been, a Material Adverse Effect: (a) any Change in general United States or global economic conditions, (b) any Change in regulatory, legislative or political conditions or the financial, credit, securities or other capital markets in the United States or any foreign jurisdiction, (c) any Change that is the result of conditions generally affecting the industries in which the Company and the Company Subsidiaries operate, (d) any Change that is the result of any decline in the market price, or Change in trading volume, of the Common Stock (it being understood that the facts or occurrences giving rise to or contributing to such decline or Change may, if not otherwise excluded by this definition, be deemed to constitute, or be taken into account in determining whether there has been or will be a Material Adverse Effect), (e) any Change that is the result of any failure, in and of itself, by the Company or the Company Subsidiaries to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (it being understood that the facts or occurrences giving rise to or contributing to such failure may, if not otherwise excluded, be deemed to constitute, or be taken into account in determining whether there has been or will be a Material Adverse Effect), (f) any Change resulting from the execution and delivery of this Agreement or the public announcement, consummation or pendency of the Merger or any of the other transactions contemplated by this Agreement, including the impact thereof on the relationships, contractual or otherwise, of the Company or any of the Company Subsidiaries with employees, labor unions, customers, suppliers or partners (it being understood that that the exception in this clause (f) will not apply to any representation or warranty of the Company in this Agreement if the primary purposes of such representation or warranty is to address the consequences of entering into this Agreement or consummating the Merger), (g) any Change resulting from any Proceeding brought by any one or more stockholders of the Company (on their own behalf or on behalf of the Company, including any class action) against the Company or its directors arising out the Merger or otherwise in connection with the transactions contemplated by this Agreement, (h) any Change resulting from any action taken by the Company or any Company Subsidiary that is required by this Agreement or any action taken at the written request of Parent, (i) any hurricane, tornado, flood, earthquake, tsunami, volcanic eruption or other natural disaster occurring after the date of this Agreement, (j) geopolitical conditions, the outbreak of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such conditions, hostilities, acts of war, sabotage or terrorism occurring after the date of this Agreement, (k) any Change occurring after the date of this Agreement in applicable Law, including any Tax or trade policy, or GAAP (or authoritative interpretations thereof), (l) any adverse Change to the Company s credit ratings (it being understood that the facts or occurrences giving rise to or contributing to such adverse Change may, if not otherwise excluded by this definition, be deemed to constitute, or be taken into account in determining whether there has been or will be, a Material Adverse Effect) or (m) any item set forth in Section 1.1 of the Company Disclosure Letter, except (A) in the case of each of clauses (a), (b), (c) (i), (j) and (k), to the extent that any such Change has occurred that has a disproportionate adverse effect on the Company and the Company Subsidiaries, taken as a whole, as compared to other participants in the industries in which the Company and the Company Subsidiaries operate (in which case, only the incremental disproportionate impact may be taken into account in determining whether there has been, or would be, a Material Adverse Effect) or (B) in the case of clause (i), to the extent that any such Change relates primarily only to, or has an effect primarily relating to, the Company and the Company Subsidiaries.

Multiemployer Plan means any plan or Contract that is a multiemployer plan within the meaning of Sections 3(37) or 4001(a)(3) of ERISA.

NYSE means the New York Stock Exchange, Inc.

Order means any charge, order, writ, injunction, judgment, decree, ruling, determination, directive, award or settlement, whether civil, criminal or administrative and whether formal or informal issued by a Governmental Authority.

Owned Intellectual Property means any Intellectual Property that is owned by the Company or any of the Company Subsidiaries.

A-7

Owned Real Property means real property, together with all improvements and fixtures located thereon or attached thereto, owned by the Company or any Company Subsidiary, including all easements, licenses, rights and appurtenances relating to the foregoing.

Parent Confidential Information means all proprietary, technical, economic, environmental, operational, financial or other business information or material, data, reports, interpretations, forecasts and business plans, in written, oral (including by recording), electronic or visual form, in the possession of, or which has been disclosed to, whether prior to or following the date of this Agreement, the Company or its Affiliates or their respective Representatives by Parent or its Affiliates or Representatives, except, in each case, to the extent that such information can be shown to have been (a) in the public domain (other than as a result of a disclosure by the Company or its Affiliates or Representatives), (b) available to the Company or its Affiliates or Representatives on a non-confidential basis from a source other than Parent or its Affiliates or Representatives without, to such Person s knowledge after reasonable inquiry, being subject to any contractual or other obligation of confidentiality to Parent or its Affiliates or Representatives or (c) independently developed by the Company or its Affiliates or Representations or on their behalf without reference to, incorporation of or other use of any such information or otherwise violating the obligations of the Company under this Agreement.

Parent Confidentiality Agreement means the letter agreement dated as of May 24, 2018 between the Company and Parent.

Permit means any permit, license, variance, exemption, qualification, registration, franchise, filing, license, certificate, consent, approval or authorization issued or granted by or filed or made with any Governmental Authority.

Permitted Lien means any (a) Lien for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in the Financial Statements, as applicable, (b) carrier s, warehousemen s, mechanic s, materialmen s, repairmen s or other similar Lien incurred in the ordinary course of business consistent with past practices, (c) pledge or deposit in connection with workers compensation, unemployment insurance and other social security legislation, (d) pledges and deposits to secure performance of bids, trade contracts, leases, tenders, statutory obligations, surety, stay, customs and appeal bonds, performance bonds and other similar obligations, in the ordinary course of business, (e) customary rights of setoff, revocation, refund or chargeback under banking, cash management, credit card and similar arrangements, (f) inchoate Lien arising under operation of Law, (g) Lien comprising a deposit required by the insurance regulatory authority of any applicable jurisdiction, (h) Lien representing any interest of a licensee, licensor, lessee, lessor, sublicensee, sublicensors, sublessee or sublessor under any license, lease, sublease or sublicense (including any Lease), (i) Lien in favor of customs and revenue authorities that secure payment of custom or import duties with respect to the assets being so imported and in respect of which such duties are owing, (j) easement, right-of-way, restriction, covenant, condition, encroachment, defect, and irregularity of title and other similar encumbrance, which, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect, (k) Lien permitted under any Lease and any ancillary documents thereto, (l) Lien that affects the underlying fee interest of Leased Real Property, (m) zoning, building code, entitlement and other land use or environmental regulation that is not violated by the current use or occupancy of Owned Real Property, (n) matter and exception set forth in any title policies or surveys made available to Parent, or (o) Lien of public record, in the case of each of clauses (m), (n) and (o), that does not secure Indebtedness and that does not materially adversely affect the continued use of the property to which it relates or the conduct of business currently conducted thereon.

Person means an individual, corporation, limited liability company, general or limited partnership, association, trust, unincorporated organization, Governmental Authority, other entity or group (as defined in the Exchange Act).

Personal Data means information that can be used to distinguish or trace an individual s identity, either alone or when combined with other personal or identifying information, and that is linked or linkable to a specific individual.

A-8

Table of Contents

Preferred Stock means the Preferred Stock, par value $1.00 per share, of the Company.

Proceeding means any action, demand, suit, claim, litigation, arbitration, investigation, audit, examination, charge, complaint, review, controversy or other proceeding, whether civil or criminal, at law or in equity, by or before any Governmental Authority, Taxing Authority or arbitrator.

Protective Provisions means the provisions of Article Thirteenth of the Restated Certificate of Incorporation of the Company.

Release means any releasing, disposing, discharging, injecting, spilling, leaking, leaching, pumping, dumping, emitting, escaping, emptying, seeping, dispersal and migration, including the moving of any materials through, into or upon, any land, soil, surface water, groundwater or air, or otherwise entering into the environment.

Representative means, with respect to any Person, any director, officer, employee, accountant, auditor, legal counsel, financial advisor, consultant, Financing Source or other advisor or representative of such Person.

Rights Plan means the Rights Agreement, dated as of December 21, 2006, as amended, between the Company and Computershare Trust Company, N.A., as rights agent (successor rights agent to Computershare Investor Services, LLC).

Sarbanes-Oxley Act means the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated thereunder.

SEC means the United States Securities and Exchange Commission.

Securities means, with respect to any Person, any class or series of common stock, preferred stock, membership interest and any other equity securities or capital stock of such Person, however described and whether voting or non-voting.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Significant Company Subsidiary means any Company Subsidiary that the Company is required to disclose pursuant to Regulation S-X promulgated by the SEC as of the date hereof.

Special Dividend means a cash dividend of $0.50 per share payable promptly following certification of the results of the Stockholders Meeting to all holders of record of Common Stock as of the close of business on the record date for the Stockholders Meeting if, and only in the event that, the Stockholder Approval is received.

Stock Plans means the Company Long-Term Incentive Plan, as amended and restated, the Company 2016 Long-Term Incentive Plan, the Company Stock Compensation program for Non-Employee Directors (as amended and restated effective as of January 1, 2005), and the Company Deferred Compensation Program for Non-Employee Directors, each as amended from time to time.

Subsidiary means, when used with respect to any Person, any other Person, whether incorporated or unincorporated, of which (a) more than 50 percent of the Securities or (b) Securities having by their terms ordinary voting power to elect more than 50 percent of the members of the Board of Directors or others performing similar functions with respect to such corporation or other organization, is directly owned or controlled by such Person or by any one or more of its Subsidiaries. For purposes of this Agreement, neither of the UBBP Companies will be considered a

Subsidiary of the Company or the Company Subsidiaries.

Superior Proposal means a *bona fide* written Acquisition Proposal that has not been withdrawn and that did not result from a breach of the provisions of Section 6.5 that (a) if consummated, would result in any third Person (or in the case of a direct merger between such third Person and the Company, the stockholders of such third Person) acquiring, directly or indirectly, more than 80 percent of the voting power of the outstanding Common Stock or all or substantially all of the assets of the Company and the Company Subsidiaries, taken as a whole, (b) is reasonably capable of being completed, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal, including all conditions contained therein, the nature of the consideration offered, and the identity of the Person making such Acquisition Proposal and (c) the Board of Directors of the Company determines in good faith, after consultation with outside legal counsel and financial advisors of nationally recognized reputation (taking into account the items identified in the foregoing clause (b) and any changes to this Agreement proposed by Parent in response to an Acquisition Proposal), is more favorable from a financial point of view to the stockholders of the Company than the transactions contemplated by this Agreement.

Tax means any (a) federal, state, local, non-U.S. or other tax, charge, fee, duty (including customs duty), levy or assessment, including any income, gross receipts, net proceeds, alternative or add-on minimum, corporation, ad valorem, turnover, real property, personal property (tangible or intangible), sales, use, franchise, excise, value added, goods and services, consumption, stamp, leasing, lease, user, transfer, fuel, excess profits, profits, occupational, premium, interest equalization, windfall profits, severance, license, registration, payroll, environmental, capital stock, capital duty, disability, estimated, gains, wealth, welfare, employee s income withholding, other withholding, unemployment or social security or other tax of whatever kind that is imposed by any Governmental Authority and (b) interest, fines, penalties or additions resulting from, attributable to, or incurred in connection with any items described in clause (a).

Tax Return means any report, return, filing, declaration, claim for refund, or information return or statement in connection with the determination, assessment, collection or imposition of any Taxes or otherwise related to Taxes, including any schedule or attachment, and including any amendment thereof.

Taxing Authority means, with respect to any Tax, the Governmental Authority that imposes such Tax or that has the power, duty or obligation or is otherwise responsible for Tax Returns and the agency, if any, charged with the collection, monitoring or other supervision of such Tax for such Governmental Authority.

Treasury Regulations means the United States Treasury Regulations.

UBBP Business means the business conducted by the UBBP Companies.

UBBP Companies means USG Boral Building Products Pte Limited and USG Boral Building Products Pty Limited.

UBBP Contracts means any Contract between the Company or any Company Subsidiary, on the one hand, and any UBBP Company or any Subsidiary of a UBBP Company, on the other hand, relating to the UBBP Business.

UBBP Shareholders Agreement means the Shareholders Agreement dated as of February 28, 2014, by and among the Company, USG Netherlands Global Holdings B.V., Boral International Pty Limited, Boral Building Materials Pty Limited, Boral Limited and the UBBP Companies.

Section 1.2 Additional Defined Terms. For purposes of this Agreement, the following terms have the meanings specified in the indicated Section of this Agreement.

Defined Term	Section
Agreement	Preamble
Alternative Financing	Section 7.8(d)

Antitrust Approvals	Section 7.1(a)
Book-Entry Shares	Section 2.6(f)
C&G	Section 5.2(b)
Certificate	Section 2.6(f)
Certificate of Merger	Section 2.3
Change in Recommendation	Section 6.3(b)
Closing	Section 2.2
Closing Date	Section 2.2
Company	Preamble
Company Contracts	Section 4.18(b)
Company Credit Agreement	Section 5.5(a)
Company Disclosure Letter	Article IV
Company Financial Advisors	Section 4.24
Company DSU Award	Section 2.7(d)
Company MSU Award	Section 2.7(c)
Company Option	Section 2.7(a)
Company PS Award	Section 2.7(c)
Company RSU Award	Section 2.7(b)
Company Stock-Based Award Consideration	Section 2.7(c)
Company Stock-Based Awards	Section 2.7(f)
Company Subsidiary	Section 4.2(a)
Continuation Period	Section 7.2(a)
Continuing Employees	Section 7.2(a)
Continuing Shares	Section 2.6(d)
D&O Insurance	Section 7.4(a)
Debt Commitment Letter	Section 5.5(a)
Debt Financing	Section 5.5(a)
Debt Offer Documents	Section 6.12(b)
Debt Offers	Section 6.12(a)
Debt Payoff	Section 6.12(a)
Deferred Stock Units	Section 2.7(d)
Director Deferred Compensation Program	Section 2.7(d)
Dissenting Shares	Section 2.6(c)
DOJ	Section 7.1(b)
DSU Consideration	Section 2.7(d)
End Date	Section 9.1(b)
Effective Time	Section 2.3
Excluded Shares	Section 2.6(b)
FTC	Section 7.1(b)
GAAP	Section 4.7(b)
General Enforceability Exceptions	Section 4.4(a)
Indemnified Persons	Section 7.4(a)
Maximum Annual Premium	Section 7.4(a)
Merger	Recitals
Merger Consideration	Section 2.6(a)
Merger Sub	Preamble
Option Consideration	Section 2.7(a)

Parent	Preamble
Parent Disclosure Letter	Article V
Parent Financial Statements	Section 5.6
Party	Preamble

A-11

Paying Agent	Section 3.1(a)
Payment Fund	Section 3.1(a)
Performance Award Consideration	Section 2.7(c)
Per Share Merger Consideration	Section 2.6(a)
Plan	Section 4.17(d)
Post-Closing Plans	Section 7.2(b)
Proxy Statement	Section 6.2(a)
Recommendation	Section 4.4(b)
Required Payments	Section 5.5(a)
Restraints	Section 8.1(c)
RSU Consideration	Section 2.7(b)
SEC Documents	Section 4.7(a)
Software	Section 1.1
Stockholder Approval	Section 4.4(c)
Stockholders Meeting	Section 6.3(a)
Surviving Corporation	Section 2.1
Surviving Corporation Bylaws	Section 2.4
Surviving Corporation Certificate of Incorporation	Section 2.4
Termination Fee	Section 9.3(a)
Third Party Intellectual Property	Section 4.16(a)
Trade Secrets	Section 1.1
Voting Agreement	Recitals

Section 1.3 Interpretation. The language in this Agreement is to be construed in all cases according to its plain meaning. Parent, Merger Sub and the Company acknowledge and agree that each Party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party or the Party in favor of which a clause has been drafted or in favor of the Party who has committed itself in a clause, is not to be employed in the interpretation of this Agreement. Whenever used herein, the words include, includes and including mean include, without limitation, includes, without limitation and incluc without limitation, respectively. The masculine, feminine or neuter gender and the singular or plural number are each deemed to include the other whenever the context so indicates. The use of or is not intended to be exclusive unless expressly indicated otherwise. The word days means calendar days unless otherwise specified. Time periods within or following which any payment is to be made or act is to be done will, unless expressly indicated otherwise, be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day. The words hereof, herein and hereunder and words of similar import when used in this Agreement refer to this Agreement as a whole (including any Exhibits, Schedules and the Parties disclosure letters) and not to any particular provision of this Agreement, and all Article, Section, Exhibit and Schedule references are to this Agreement unless otherwise specified. Where this Agreement states that a Party shall, will or must perform in some manner or otherwise act or omit to act, it means that the Party is legally obligated to do so in accordance with this Agreement. Any reference to a statute, rule or regulation is deemed also to refer to any amendments or successor legislation as in effect at the relevant time. Any reference to a Contract or other document as of a given date means the Contract or other document as amended, supplemented and modified from time to time through such date. The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. The Company Disclosure Letter and the Parent Disclosure Letter, as well as all other schedules and exhibits hereto, will be deemed part of this Agreement and included in any reference to this Agreement. Whenever this Agreement provides that documents have been made available to Parent, Merger Sub or their

Representatives, such documents must have been (a) posted prior to the date of this Agreement in a complete and unredacted form (other than any UBBP Contracts or documents containing any JV Information or Shareholder Information (as such terms are defined in the UBBP Shareholders Agreement)) in the electronic data room entitled Project Update maintained at Intralinks or in the electronic data room entitled Project Update

Clean Room maintained at Intralinks, in each case, to which Parent, Merger Sub or their Representatives have been granted access by the Company or (b) filed in a complete and unredacted form (other than any UBBP Contracts or documents containing any JV Information or Shareholder Information (as such terms are defined in the UBBP Shareholders Agreement)) at least two Business Days prior to the date of this Agreement as exhibits to the SEC Documents and publicly available on the internet website of the SEC.

ARTICLE II

THE MERGER AND CERTAIN RELATED MATTERS

Section 2.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement and in accordance with the DGCL, at the Effective Time, Merger Sub will be merged with and into the Company and the separate existence of Merger Sub will cease. The Company will continue as the surviving corporation in the Merger (as such, the Surviving Corporation) as a wholly-owned Subsidiary of Parent. At the Effective Time, the effects of the Merger will be as provided in this Agreement, the Certificate of Merger and the applicable provisions of the DGCL. Without limiting the generality of the foregoing, at the Effective Time, all of the property, rights, privileges, powers and franchises of the Company and Merger Sub will vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub will become the debts, liabilities and duties of the Surviving Corporation.

Section 2.2 Closing. The closing of the Merger (the Closing) will take place at the offices of Baker & McKenzie, LLP, 300 East Randolph Street, Chicago, Illinois 60601, at 10:00 a.m., local time, on the second Business Day after the satisfaction or waiver (to the extent permitted by applicable Law) of all of the conditions set forth in Article VIII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) or at such other place, time and date as Parent and the Company may agree in writing. The date on which the Closing actually occurs is referred to herein as the Closing Date.

Section 2.3 Effective Time. Subject to the provisions of this Agreement, on the Closing Date, Parent and the Company will file a certificate of merger as contemplated by the DGCL (the Certificate of Merger) with the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with, the DGCL. The Merger will become effective at such time as the Certificate of Merger is duly filed with such Secretary of State of the State of Delaware on the Closing Date, or at such later time as Parent and the Company may agree and specify in the Certificate of Merger. As used in this Agreement, the Effective Time means the time at which the Merger becomes effective.

Section 2.4 Surviving Corporation Constituent Documents. At the Effective Time, (a) the certificate of incorporation of the Surviving Corporation will be amended and restated to read in its entirety as set forth in Exhibit B (the Surviving Corporation Certificate of Incorporation), and as so amended and restated, will be the certificate of incorporation of the Surviving Corporation until thereafter amended in accordance with its terms and the DGCL and (b) the bylaws of the Surviving Corporation will be amended and restated to read in their entirety as set forth in Exhibit C (the Surviving Corporation Bylaws), and as so amended and restated, will be the bylaws of the Surviving Corporation until thereafter amended in accordance with their terms, the terms of the Surviving Corporation Certificate of Incorporation and the DGCL.

Section 2.5 Surviving Corporation Directors and Officers.

(a) The directors of Merger Sub in office immediately prior to the Effective Time will be the initial directors of the Surviving Corporation and will hold office from the Effective Time until their respective successors are duly elected and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation

Certificate of Incorporation and the Surviving Corporation Bylaws or otherwise as provided by applicable Law.

(b) The officers of the Company in office immediately prior to the Effective Time will be the initial officers of the Surviving Corporation and will hold office from the Effective Time until their respective successors are

Table of Contents

duly elected and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation Certificate of Incorporation and Surviving Corporation Bylaws or otherwise as provided by applicable Law.

Section 2.6 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or the holders of any of the following securities:

(a) Each share of Common Stock issued and outstanding immediately prior to the Effective Time (other than Excluded Shares, Dissenting Shares and Continuing Shares) will be converted into and will thereafter represent the right to receive $43.50 in cash, without interest (the Per Share Merger Consideration and in the aggregate for all such shares of Common Stock, the Merger Consideration).

(b) Each share of Common Stock owned by the Company or its direct or indirect wholly-owned Subsidiaries immediately prior to the Effective Time (Excluded Shares) will be canceled and will cease to exist and no consideration will be paid or delivered in exchange therefor.

(c) Notwithstanding any provision of this Agreement to the contrary, if and to the extent required by the DGCL, shares of Common Stock which are issued and outstanding immediately prior to the Effective Time and which are held by holders of such shares of Common Stock who are entitled to appraisal rights under Section 262 of the DGCL and who have properly demanded appraisal in accordance with Section 262 of the DGCL (and who have not failed to perfect or otherwise effectively withdraw or lost the right to appraisal) (Dissenting Shares) will not be converted into or represent the right to receive the Per Share Merger Consideration, and holders of such Dissenting Shares will be entitled to only such appraisal rights as are granted by Section 262 of the DGCL. If any such holder fails to perfect or effectively withdraws or loses such right, each such Dissenting Share will thereupon be treated as if it had been converted into and become exchangeable for, at the Effective Time, the right to receive the Per Share Merger Consideration in accordance with this Agreement and will not thereafter be deemed to be a Dissenting Share. The Company will give Parent reasonably prompt notice of any written demands received by the Company for appraisal of Dissenting Shares, withdrawals of such demands and any other demands, notices or instruments served pursuant to the DGCL which are received by the Company relating to such demands and Parent will have the right to participate in the negotiations and proceedings with respect to such demands, notices or instruments. The Company will not, except with the prior written consent of Parent, make any payment with respect to any appraisal demand, notice or instrument or offer to settle or settle any such demand, notice or instrument, and Parent will not commit to make any such payment or enter into any such settlement prior to the Effective Time without the prior written consent of the Company.

(d) Each share of Common Stock Beneficially Owned by Parent or its direct or indirect wholly-owned Subsidiaries immediately prior to the Effective Time (Continuing Shares) and each share of Merger Sub owned by Parent or its direct or indirect wholly-owned Subsidiaries immediately prior to the Effective Time will continue as one fully paid and non-assessable share of Common Stock, par value $0.10 per share, of the Company as the Surviving Corporation.

(e) If after the date of this Agreement and prior to the Effective Time, the Company pays a dividend in, splits, combines into a smaller number of shares, or issues by reclassification any shares of Common Stock (or undertakes any similar act), then the Per Share Merger Consideration will be appropriately adjusted to provide to the holders of the Common Stock the same economic effect as contemplated by this Agreement prior to such action, and as so adjusted will, from and after the date of such event, be the Per Share Merger Consideration, subject to further adjustment in accordance with this provision.

(f) From and after the Effective Time, the shares of Common Stock converted into the Merger Consideration pursuant to this Section 2.6 will no longer remain outstanding and will automatically be cancelled and will cease to exist, and each holder of a certificate (a Certificate) previously representing certificated shares of Common Stock or shares of Common Stock that are in non-certificated book-entry form (Book-Entry Shares) will thereafter cease to have any rights with respect to such Common Stock except the right to receive the Merger Consideration and any dividends or other distributions as provided in Section 3.1(e).

Table of Contents

Section 2.7 Treatment of Equity Compensation Awards.

(a) At the Effective Time, each stock option granted by the Company to purchase shares of Common Stock (a Company Option) that is outstanding as of the Effective Time, whether vested or unvested, will immediately vest, if unvested, and be cancelled by virtue of the Merger and without any action on the part of the holder thereof, in consideration for the right to receive, as promptly as practicable (but no later than 15 calendar days) following the Effective Time, a cash payment (without interest and less applicable withholding Taxes) with respect thereto equal to the product of (i) the number of shares of Common Stock subject to such Company Option as of the Effective Time and (ii) the excess, if any, of the Per Share Merger Consideration over the exercise price per share of Common Stock subject to such Company Option as of the Effective Time (the Option Consideration). Any Company Option with an exercise price equal to or in excess of the Per Share Merger Consideration will be cancelled by virtue of the Merger without any action on the part of the holder thereof and without any payment to the holder thereof.

(b) At the Effective Time, each time-vesting restricted stock unit award granted by the Company in respect of shares of Common Stock (a Company RSU Award) that is outstanding as of the Effective Time will immediately vest and be cancelled by virtue of the Merger and without any action on the part of the holder thereof, in consideration for the right to receive, as promptly as practicable (but no later than 15 calendar days) following the Effective Time, a cash payment (without interest and less applicable withholding Taxes) with respect thereto equal to the product of (i) the number of shares of Common Stock subject to such Company RSU Award as of the Effective Time and (ii) the Per Share Merger Consideration (the RSU Consideration); *provided* that to the extent that any such Company RSU Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code.

(c) At the Effective Time, each Market Share Units award granted by the Company in respect of shares of Common Stock (a Company MSU Award) and each Performance Shares award (a Company PS Award) that is outstanding as of the Effective Time will be cancelled by virtue of the Merger and without any action on the part of the holder thereof, in consideration for the right to receive, as promptly as practicable (but no later than 15 calendar days) following the Effective Time, a cash payment (without interest and less applicable withholding Taxes) with respect thereto equal to the product of (i) the number of shares of Common Stock subject to such Company MSU Award or Company PS Award as of the Effective Time (with such number of shares determined, in accordance with the applicable award terms, by calculating the actual level of achievement of the applicable performance goals as of the Effective Time) and (ii) the Per Share Merger Consideration (the Performance Award Consideration and, together with the RSU Consideration and the DSU Consideration, the Company Stock-Based Award Consideration); *provided* that to the extent that any such Company MSU Award or Company PS Award constitutes nonqualified deferred compensation subject to Section 409A of the Code, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code.

(d) All compensation deferred as Deferred Stock Units (Company DSU Award) prior to the Effective Time in notional accounts pursuant to the Company Stock Compensation Program for Non-Employee Directors (as amended and restated effective as of January 1, 2005) and the Company Deferred Compensation Program for Non-Employee Directors, as amended from time to time (the Director Deferred Compensation Program), by non-employee directors who will experience a separation from service under Section 409A of the Code as of the Effective Time, will, as of the Effective Time, be cancelled and converted into a right of the holder to receive an amount denominated in cash equal to the product of (i) the number of shares of Common Stock deemed invested under or otherwise referenced by the notional account immediately before the Effective Time and (ii) the Per Share Merger Consideration (the DSU Consideration), and will cease to represent a right to receive a number of shares of Common Stock or cash equal to or

based on the value of a number of shares of Common Stock; *provided* that (A) to the extent that any such non-employee director is a specified employee under Section 409A of the Code or (B) such non-employee director does not have a separation from service upon the

Effective Time, such cash payment will be paid in accordance with the applicable award s terms and at the earliest time permitted under the terms of such award that will not result in the application of a tax or penalty under Section 409A of the Code.

(e) Neither Parent nor any of its Subsidiaries will assume any of the Equity Rights described in this Section 2.7. Prior to the Effective Time, the Company, the Board of Directors of the Company or the Compensation and Organization Committee of the Board of Directors of the Company, as applicable, will adopt any resolutions that are necessary to effectuate the provisions of this Section 2.7.

(f) At or prior to the Closing, Parent will deposit (or cause to be deposited) with the Company, by wire transfer of immediately available funds, the aggregate of (i) Company Stock-Based Award Consideration owed to all holders of Company RSU Awards, Company MSU Awards, Company PS Awards and Company DSU Awards (collectively, the Company Stock Based Awards) and (ii) Option Consideration owed to all holders of Company Options. Except as set forth in Section 2.7 of the Company Disclosure Letter, as promptly as practicable (but, subject to compliance with Section 409A of the Code, no later than 15 calendar days) following the Effective Time, the applicable holders of Company Stock Based Awards and Company Options will receive a payment from the Company or the Surviving Corporation, through its payroll system or payroll provider, of all amounts required to be paid to such holders in respect of Company Stock Based Awards or Company Options that are cancelled and converted into cash pursuant to this Section 2.7. Notwithstanding the foregoing, if any payment owed to a holder of Company Stock Based Awards or Company Options pursuant to this Section 2.7 cannot be made through the Company or the Surviving Corporation s payroll system or payroll provider (including because the holder is a non-employee director), then the Surviving Corporation will deliver such payment either by check or wire transfer of immediately available funds to such holder, with any check or wire transfer being sent to such holder promptly following the Effective Time (but, subject to compliance with Section 409A of the Code, in no event more than 15 calendar days thereafter). All payments made pursuant to this Section 2.7(f) will be without interest and less any applicable withholding Taxes and will be subject to compliance with Section 409A of the Code.

Section 2.8 Further Assurances. After the Effective Time, the directors and officers of the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

ARTICLE III

PAYMENT FOR SHARES

Section 3.1 Surrender and Payment.

(a) Prior to the Effective Time, Parent will enter into an agreement with a United States bank or trust company approved by the Company (such approval not to be unreasonably withheld, conditioned or delayed) to act as a payment agent (the Paying Agent) for holders of shares of Common Stock in connection with the transactions contemplated by this Agreement. The Paying Agent agreement pursuant to which Parent will appoint the Paying Agent will be in a form and substance reasonably acceptable to the Company. At the Effective Time, Parent will deposit, or cause to be deposited, in trust with the Paying Agent in a separate account for the benefit of holders of shares of Common Stock, cash in United States dollars sufficient to pay the Merger Consideration in exchange for all of the shares of Common Stock outstanding immediately prior to the Effective Time (other than the Excluded Shares,

Dissenting Shares and Continuing Shares), payable upon due surrender of Certificates (or affidavits of loss in lieu thereof as provided in Section 3.2) or Book-Entry Shares pursuant to the provisions of this Article III (such cash being referred to as the "Payment Fund"). If the Payment Fund is insufficient to make the payments contemplated by Section 2.6(a), Parent will, or will cause the Merger Sub or the Surviving

Corporation to, promptly deposit additional funds with the Paying Agent in an amount sufficient to make such payments. The Payment Fund will not be used for any purpose other than as expressly provided for in this Agreement.

(b) As soon as reasonably practicable after the Effective Time and in any event not later than the second Business Day following the Closing Date, the Surviving Corporation will instruct the Paying Agent to mail to each holder of record of shares of Common Stock converted into the right to receive the portion of the Merger Consideration payable in respect thereof pursuant to Section 2.6 (i) a letter of transmittal, which will specify that delivery will be effected, and risk of loss and title will pass, only upon delivery of Certificates (or affidavits of loss in lieu thereof as provided in Section 3.2) or Book-Entry Shares to the Paying Agent and will be in such form and have such other provisions as Parent and the Company may mutually agree and (ii) instructions for use in effecting the surrender of Certificates (or affidavits of loss in lieu thereof as provided in Section 3.2) or Book-Entry Shares in exchange for the portion of the Merger Consideration payable in respect thereof.

(c) Upon surrender of Certificates (or affidavits of loss in lieu thereof as provided in Section 3.2) or Book-Entry Shares to the Paying Agent together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may customarily be required by the Paying Agent, the holder of such Certificates (or affidavits of loss in lieu thereof as provided in Section 3.2) or Book-Entry Shares will be entitled to receive from the Payment Fund in exchange therefor an amount in cash equal to the product of (i) the number of shares represented by such holder s properly surrendered Certificates (or affidavits of loss in lieu thereof as provided in Section 3.2) or Book-Entry Shares and (ii) the Per Share Merger Consideration (less any applicable withholding Taxes). No interest will be paid or accrued on any amount payable upon due surrender of Certificates (or affidavits of loss in lieu thereof as provided in Section 3.2) or Book-Entry Shares.

(d) If any payment is to be made to a Person other than the Person in whose name a surrendered Certificate or Book-Entry Shares is registered, it will be a condition of such payment that the Person requesting such payment will pay any transfer or other similar Taxes required by reason of the making of such cash payment to a Person other than the registered holder of the surrendered Certificate or Book-Entry Shares or will establish to the satisfaction of the Paying Agent that such Tax has been paid or is not payable. If any portion of the Merger Consideration is to be registered in the name of a Person other than the Person in whose name a surrendered Certificate or Book-Entry Shares is registered, it will be a condition to the registration thereof that the surrendered Certificate or Book-Entry Shares will be properly endorsed or otherwise be in proper form for transfer and that the Person requesting such delivery of the Merger Consideration will pay to the Paying Agent any transfer or other similar Taxes required as a result of such registration in the name of a Person other than the registered holder of such Certificate or Book-Entry Shares or establish to the satisfaction of the Paying Agent that such Tax has been paid or is not payable.

(e) After the Effective Time, there will be no further registration of transfers of shares of Common Stock outstanding prior to the Effective Time other than as provided for in Section 2.6(d). From and after the Effective Time, the holders of Certificates and Book-Entry Shares outstanding immediately prior to the Effective Time will cease to have any rights with respect to such shares of Common Stock except as otherwise provided in this Agreement or by applicable Law. Notwithstanding anything to the contrary contained in this Agreement, the Surviving Corporation will be obligated to pay any dividends or make any other distributions with a record date prior to the Effective Time which may have been declared or made by the Company with respect to shares of Common Stock prior to the date of this Agreement and which remain unpaid at the Effective Time.

(f) Any portion of the Payment Fund that remains unclaimed by the holders of shares of Common Stock one year after the Effective Time will be returned to the Surviving Corporation, upon demand, and any such holder who has not exchanged such holder s shares of Common Stock for the Per Share Merger Consideration in accordance with this Article III prior to that time will thereafter look only to the Surviving Corporation for delivery of the Per Share

Merger Consideration in respect of such holder s shares of Common Stock.

(g) Neither Parent, the Surviving Corporation nor the Paying Agent will be liable to any former holder of Common Stock for any portion of the Merger Consideration delivered to any Government Authority pursuant to

any applicable abandoned property, escheat or similar Law. In the event any Certificate or Book-Entry Shares have not been surrendered prior to the date as of which the Merger Consideration payable in respect of such Certificate or Book-Entry Shares would escheat to or otherwise become the property of any Governmental Authority, Parent, the Surviving Corporation and the Paying Agent will comply with such Laws and the portion of the Merger Consideration otherwise payable upon the surrender of such Certificate or Book-Entry Shares will be treated for all purposes under this Agreement as having been paid to the holder of the shares of Common Stock represented by such Certificate or Book-Entry Shares.

(h) The Paying Agent will invest all cash included in the Payment Fund as directed by Parent; *provided* that any investment of such cash will be limited to direct short-term obligations of, or short-term obligations fully guaranteed as to principal and interest by, the United States of America in commercial paper obligations rated A-1 or P-1 or better by Moody s Investors Service, Inc. or Standard & Poor s Corporation, respectively, in certificates of deposit, bank repurchase agreements or banker s acceptances of commercial banks with capital exceeding $5 billion, or in money market funds having a rating in the highest investment category granted by a recognized credit rating agency at the time of acquisition or a combination of the foregoing and, in any such case, no such instrument will have a maturity exceeding three months, and that no such investment or loss thereon will affect the amounts payable to holders of Certificates or Book-Entry Shares pursuant to this Article III. Any interest and other income resulting from such investments will become part of the Payment Fund, and any amount in excess of the amounts payable under Section 3.1(a) will be promptly returned to Parent or the Surviving Corporation, as requested by Parent. To the extent that there are losses with respect to such investments, or the Payment Fund diminishes for other reasons below the level required to make prompt payments of the Merger Consideration as contemplated hereby, Parent will promptly replace or restore, or will promptly cause to be replaced or restored, the portion of the Payment Fund lost through investments or other events so as to ensure that the Payment Fund is, at all times, maintained at a level sufficient to make such payments.

Section 3.2 Lost, Stolen or Destroyed Certificates. If any Certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond, in such reasonable and customary amount as the Surviving Corporation may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent will issue, in exchange for such lost, stolen or destroyed Certificate, the Merger Consideration and any dividends or other distributions to which such holder is entitled to be paid in respect of the shares of Common Stock represented by such Certificate as contemplated by Article II and this Article III.

Section 3.3 Withholding Rights. Each of Parent, Merger Sub, the Surviving Corporation and the Paying Agent will be entitled to deduct and withhold from the consideration otherwise payable to a holder of shares of Common Stock or Equity Rights pursuant to this Agreement such amounts as Parent, Merger Sub, the Surviving Corporation or the Paying Agent is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or non-U.S. Tax Law. To the extent that amounts are so deducted or withheld and paid over to the applicable Governmental Authority or Taxing Authority, such deducted or withheld amounts will be treated for all purposes under this Agreement as having been paid to the holder of shares of Common Stock or Equity Rights in respect of which such deduction and withholding was made.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as otherwise disclosed in (a) the SEC Documents filed and publicly available on the internet website of the SEC at least two Business Days prior to the date of this Agreement (excluding any redacted information, any

disclosure set forth in any exhibits to such SEC Documents, the Risk Factors and Forward-Looking Statements sections of such SEC Documents and any other disclosures in such SEC Documents that are

non-specific, cautionary, predictive or forward-looking in nature, but in each case only to the extent that the relevance of such disclosures to the applicable subject matter is reasonably apparent on its face, or (b) the letter (the Company Disclosure Letter) delivered to Parent by the Company prior to the execution of this Agreement (it being understood that any information contained therein will qualify and apply to the representations and warranties in this Article IV to which the information is specifically stated as referring to and will qualify and apply to other representations and warranties in this Article IV only to the extent that it is reasonably apparent on its face that such disclosure also qualifies or is applicable to such other sections), except that no information set forth in the SEC Documents will qualify or apply to the representations and warranties set forth in Section 4.3, Section 4.4, Section 4.6, Section 4.24 or Section 4.25, the Company represents and warrants to Parent and Merger Sub as follows:

Section 4.1 Organization. The Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. The Company (a) has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and (b) is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it make such licensing or qualification necessary, except where failure to have such power and authority or to be so licensed, qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect or prevent, materially impair, or materially delay the Company from consummating the Merger. The Company has made available to Parent accurate and complete copies of its Constituent Documents, as amended and in effect on the date of this Agreement.

Section 4.2 Subsidiaries.

(a) Each Subsidiary of the Company (individually, a Company Subsidiary and collectively, the Company Subsidiaries) is a corporation duly incorporated or a limited liability company, partnership or other entity duly organized and is validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, except where the failure to be so organized or existing would not, individually or in the aggregate, have a Material Adverse Effect. Each Company Subsidiary (i) has all requisite corporate or other power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and (ii) is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it make such licensing or qualification necessary, except where failure to have such power and authority, or to be so licensed, qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect or prevent, materially impair, or materially delay the Company from consummating the Merger.

(b) The Company is, directly or indirectly, the record holder and Beneficial Owner of all of the outstanding Securities of each Company Subsidiary, free and clear of any Liens (other than Permitted Liens) and free of any other limitation or restriction, including any limitation or restriction on the right to vote, sell, transfer or otherwise dispose of the Securities, other than limitations or restrictions on transfer arising under applicable securities Laws. All of the Securities so owned by the Company have been duly authorized and validly issued and are fully paid and nonassessable, and no such shares have been issued in violation of any preemptive or similar rights by which the Company or any Company Subsidiary is bound. Except for the Securities of the Company Subsidiaries, the Securities of each UBBP Company set forth in Section 4.22 of the Company Disclosure Letter, the Securities of any Subsidiary of the UBBP Companies, and short-term marketable Securities acquired in the ordinary course of business consistent with past practices, the Company does not own, directly or indirectly, any Securities or other ownership interests in any Person or any Indebtedness of any Person.

Section 4.3 Capitalization.

(a) The authorized capital stock of the Company consists of 200,000,000 shares of Common Stock and 36,000,000 shares of Preferred Stock.

(b) At the close of business on June 7, 2018, 139,462,508 shares of Common Stock were issued and outstanding and no shares of Preferred Stock were issued and outstanding. Except as set forth in Section 4.3(c), as of June 7, 2018, no other Securities of the Company were issued, reserved for issuance or outstanding. All issued and outstanding shares of Common Stock have been, and all shares of Common Stock that may be issued pursuant to the exercise of outstanding Equity Rights will be, when issued in accordance with the terms thereof, duly authorized, validly issued, fully paid and nonassessable and are subject to no preemptive or similar rights by which the Company or any Company Subsidiary is bound.

(c) Section 4.3(c)(i) of the Company Disclosure Letter sets forth the Equity Rights outstanding as of the close of business on June 7, 2018. All such Equity Rights were granted or awarded pursuant to and in accordance with the Stock Plans. Section 4.3(c)(ii) of the Company Disclosure Letter sets forth the number of shares of Common Stock authorized for issuance under each Stock Plan as of June 7, 2018. Section 4.3(c)(iii) of the Company Disclosure Letter sets forth an accurate and complete, in all material respects, pro-forma determination of the number of Company MSU Awards and Company PS Awards that would vest based upon the assumed level of performance and the Per Share Merger Consideration, in each case, as of the date and in the amounts specified therein. The Company has made available to Parent the forms of grant agreements related to each such award. No material changes have been made to such forms in connection with any award granted for the performance period or jurisdiction specified in such form, other than as set forth on Section 4.3(c)(iv) of the Company Disclosure Letter.

(d) There are no preemptive or similar rights on the part of any holder of any class of Securities of the Company or any Company Subsidiary. Neither the Company nor any Company Subsidiary has outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for Securities having the right to vote) with the holders of any class of Securities of the Company or any Company Subsidiary on any matter submitted to such holders of Securities. Except pursuant to this Agreement and as described in Section 4.3(c), there are no options, warrants, calls, rights, convertible or exchangeable securities, phantom stock rights, stock appreciation rights, stock-based performance units, Contracts or undertakings of any kind to which the Company or any Company Subsidiary is a party or by which any of them is bound (i) obligating the Company or any Company Subsidiary to issue, deliver, sell or transfer or repurchase, redeem or otherwise acquire, or cause to be issued, delivered, sold or transferred or repurchased, redeemed or otherwise acquired, any Securities of the Company or any Company Subsidiary, or any Security convertible or exercisable for or exchangeable into any Securities of the Company or any Company Subsidiary, (ii) obligating the Company or any Company Subsidiary to issue, grant, extend or enter into any such option, warrant, call, right, security, Contract or undertaking, or (iii) that give any Person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights accruing to holders of Securities of the Company or any Company Subsidiary. There are no outstanding contractual obligations of the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire any Securities of the Company or any Company Subsidiary, including any Securities that may be issued pursuant to any employee stock option or other compensation plan or arrangement. There are no proxies, voting trusts or other Contracts to which the Company or any Company Subsidiary is a party or is bound with respect to the voting of the Securities of the Company or any Company Subsidiary or the registration of the Securities of the Company or the Company Subsidiaries under any United States or non-U.S. securities Law. None of the outstanding Securities of the Company Subsidiaries are subject to any right of first offer, right of first refusal, co-sale or participation right or other restriction on transfer pursuant to the Constituent Documents of such Company Subsidiary or any Contract to which such Company Subsidiary is a party or by which such Company Subsidiary, or its Securities, are otherwise bound.

Section 4.4 Authorization; Board Approval; Voting Requirements.

(a) The Company has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and, subject to receipt of the Stockholder Approval, to consummate the Merger and the other

the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement and the consummation of the Merger and the other transactions contemplated by this Agreement have

been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of the Company are necessary for it to authorize this Agreement or to consummate the transactions contemplated by this Agreement, except for the Stockholder Approval and the filing of the Certificate of Merger. This Agreement has been duly and validly executed and delivered by the Company and, assuming due authorization, execution and delivery by Parent and Merger Sub, is a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar Laws affecting creditors rights generally or (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought (the exceptions in clauses (i) and (ii), the General Enforceability Exceptions).

(b) The Board of Directors of the Company, at a meeting duly called and held, has duly and unanimously adopted resolutions (i) determining that this Agreement, the Merger and the other transactions contemplated by this Agreement are fair to, advisable and in the best interests of the Company and its stockholders, (ii) approving and declaring advisable this Agreement and the consummation by the Company of the transactions contemplated hereby, including the execution, delivery and performance of this Agreement, (iii) subject to Section 6.5, resolving to recommend the adoption of this Agreement and the transactions contemplated hereby by the stockholders of the Company (the Recommendation), and (iv) subject to Section 6.5, directing that this Agreement be submitted to the stockholders of the Company for adoption. As of the date of this Agreement, such resolutions have not been amended or withdrawn and remain in full force and effect.

(c) The adoption of this Agreement by the affirmative vote of holders of at least 80 percent of the outstanding shares of Common Stock (the Stockholder Approval) at the Stockholders Meeting, or any adjournment or postponement thereof, is the only vote or approval of the holders of any class or series of Securities of the Company necessary to adopt this Agreement.

Section 4.5 Consents and Approvals; No Violations.

(a) The execution and delivery of this Agreement by the Company does not and the consummation by the Company of the transactions contemplated by this Agreement will not (i) conflict with any provisions of the Constituent Documents of the Company or any Company Subsidiary (assuming that the Stockholder Approval is obtained), (ii) violate any Law or Order (assuming compliance with the matters set forth in Section 4.5(b) and that the Stockholder Approval is obtained), (iii) result, after the giving of notice, with lapse of time, or otherwise, in any violation, default or loss of a benefit to the Company or any Company Subsidiary under, or permit the acceleration or termination of any obligation of the Company or any Company Subsidiary under or require any consent of a third party under, any Company Contract, (iv) result in the creation or imposition of any Lien (other than Permitted Liens) upon any properties or assets of the Company or any Company Subsidiary, or (v) cause the suspension or revocation of any Permit of the Company or any Company Subsidiary, except, in the case of clauses (ii), (iii), (iv) and (v), any matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect or prevent, materially impair or materially delay the Company from consummating the Merger.

(b) No clearance, consent, approval, order, waiver, license or authorization of or from, or declaration, registration or filing with, or notice to, or permit issued by, any Governmental Authority is required to be made or obtained by the Company or any Company Subsidiary in connection with the execution or delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated by this Agreement, except for (i) compliance by the Company with the HSR Act and any required filings or notifications under any other applicable Competition Laws or Foreign Investment Law, in each case as set forth in Section 7.1(b) of the Company Disclosure Letter (assuming the accuracy of the information provided by Parent and its Representatives to the Company s outside

counsel), (ii) the matters set forth in Section 4.5(b) of the Company Disclosure Letter, (iii) the filing with the SEC of the Proxy Statement in accordance with Regulation 14A promulgated under the Exchange Act and such reports, forms and schedules under and such other compliance with the Exchange Act as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (iv) the applicable notification requirements of NYSE, (v) the

applicable requirements, if any, of the Exchange Act and state securities, takeover and blue sky Laws, (vi) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL, and (vii) such other matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect or prevent, materially impair or materially delay the Company from consummating the Merger.

Section 4.6 Takeover Provisions; Rights Plan; Company Confidentiality Agreement.

(a) Assuming the accuracy of the representations and warranties in Section 5.8 and compliance by Parent with the covenants and agreements in Section 6.3(d), the Company has taken all necessary action to render the restrictions on business combinations contained in Section 203 of the DGCL inapplicable to this Agreement, the Voting Agreement, the Merger and the other transactions contemplated by this Agreement. Assuming the accuracy of the representations set forth in Section 5.8, no fair price, moratorium, control share acquisition, business combination or similar anti-takeover statute or regulation is applicable to this Agreement, the Voting Agreement, the Merger or the other transactions contemplated by this Agreement.

(b) Assuming the accuracy of the representations and warranties in Section 5.8 and compliance by Parent with the covenants and agreements in Section 6.3(d), the Company has taken or caused to be taken all necessary action to amend or waive the provisions of the Rights Plan and the Protective Provisions in order to permit the approval, execution, delivery and performance of this Agreement and the Voting Agreement and to consummate the Merger and the other transactions contemplated by this Agreement on the Closing Date, in each case without causing the rights issued pursuant to the Rights Plan to be distributed or to become exercisable or breaching or violating the Protective Provisions.

(c) The Company has taken or caused to be taken all necessary action to release Parent and Merger Sub from the standstill provisions in the Company Confidentiality Agreement.

Section 4.7 SEC Reports; Financial Statements.

(a) The Company has timely filed or furnished, as applicable, all reports, schedules, forms, statements and other documents required to be filed or furnished by it with or to the SEC since January 1, 2016 (together with all exhibits, financial statements and schedules thereto and all information incorporated therein by reference, the SEC Documents). As of its respective date, or, if amended, as of the date of the last such amendment, each of the SEC Documents complied when filed or furnished (or, if applicable, when amended), and each SEC Document filed subsequent to the date of this Agreement (assuming, in the case of the Proxy Statement, that the representations and warranties set forth in Section 5.7 are true and correct) will comply, in all material respects with the requirements of the NYSE, the Exchange Act, the Sarbanes-Oxley Act and the Securities Act applicable to such SEC Documents and did not, and any SEC Documents filed with the SEC subsequent to the date of this Agreement will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or incorporated by reference therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of the Company Subsidiaries is required to file or furnish any report, schedule, form, statement, prospectus, registration statement or other document with the SEC. The Company is, and since January 1, 2016 has been, in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the NYSE.

(b) The Financial Statements, which have been derived from the books and records of the Company and the Company Subsidiaries, complied at the time they were filed in all material respects with the applicable accounting requirements and published rules and regulations of the SEC and have been prepared in conformity with accounting principles

generally accepted in the United States of America (GAAP) throughout the periods presented, except as otherwise noted therein and in the case of unaudited interim financial statements, as permitted by the rules and regulations of the SEC. The consolidated balance sheets (including the related notes and schedules) included in the Financial Statements present fairly, in all material respects, the financial position of the Company and the Company Subsidiaries as at the respective dates indicated, and the consolidated statements of income, comprehensive income, stockholders equity and cash flows (in each case including the

related notes and schedules) included in such Financial Statements present fairly in all material respects the results of operations, comprehensive income, stockholders equity and cash flows of the Company and the Company Subsidiaries for the respective periods indicated; *provided* that the unaudited interim Financial Statements reflect adjustments that are of a normal recurring nature, necessary for the fair presentation of the Company and the Company Subsidiaries financial results for the interim period.

(c) Prior to the date of this Agreement, the Company has provided Parent or its Representatives with accurate and complete unredacted copies of all documents filed as exhibits to the SEC Documents subject to a request to the staff of the SEC for confidential treatment (other than any UBBP Contracts or documents containing any JV Information or Shareholder Information (as such terms are defined in the UBBP Shareholders Agreement)). The Company has not submitted any request for confidential treatment of documents filed as exhibits to the SEC Documents that as of the date of this Agreement is currently pending or that has otherwise not been acted upon by staff of the SEC. The Company has timely responded to all comment letters of the staff of the SEC relating to the SEC Documents, and the SEC has not asserted that any of such responses are inadequate, insufficient or otherwise non-responsive. None of the SEC Documents is, to the Knowledge of the Company, the subject of ongoing SEC review.

(d) From January 1, 2016 to the date of this Agreement, the Company has not received any notice from the SEC or any other Governmental Authority indicating that any of its accounting policies or practices are or may be the subject of any review, inquiry, investigation or challenge by the SEC or any other Governmental Authority.

Section 4.8 SEC Compliance Matters.

(a) The Company and its Subsidiaries have established and maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e), as applicable, of the Exchange Act) that are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such information is accumulated and communicated to the management of the Company, as appropriate, to allow timely decisions regarding required disclosure and to enable the Company s principal executive officer and principal financial officer to make the certifications required under the Exchange Act with respect to such reports.

(b) The Company and its Subsidiaries have established and maintain a system of internal control over financial reporting (as defined in Rule Rules 13a-15(f) and 15d-15(f), as applicable, of the Exchange Act) effective to provide reasonable assurance regarding the preparation and fair presentation of the Company s Financial Statements. The Company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that receipts and expenditures of the Company are made only in accordance with the authorizations of the Company s management and directors, (iii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

(c) Each of the principal executive officer of the Company and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company, as applicable) has made all applicable certifications required by Rule 13a-14 or 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act and any related rules or regulations promulgated by the SEC, the NYSE with respect to the SEC Documents, and the statements contained in such certifications are accurate and complete. For purposes of this Agreement, principal executive officer and principal financial officer have the meanings given to such terms in the Sarbanes-Oxley Act.

(d) Since January 1, 2016, none of the Company s principal executive officer, principal financial officer, or members of the Audit Committee of the Board of Directors of the Company or, to the Knowledge of the

Company, the outside auditors of the Company has received any oral or written notification of (i) any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which could reasonably be expected to adversely affect the Company s ability to record, process, summarize and report financial information or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal control over financial reporting. For purposes of this Agreement, the terms significant deficiency and material weakness will have the meanings assigned to them in Appendix A of Auditing Standard 2201 of the Public Company Accounting Oversight Board, as in effect on the date of this Agreement. The Company s outside auditors have confirmed to the Company in writing that they are independent registered certified public accountants as required by the Exchange Act and the rules of the Public Company Accounting Oversight Board.

(e) Since January 1, 2016, (i) neither the Company nor any Company Subsidiary has received any written or, to the Knowledge of the Company, oral complaint, allegation, assertion or claim regarding any alleged material deficiencies in accounting, internal accounting controls or auditing practices, procedures, methodologies or methods of the Company or any Company Subsidiary relating to periods after January 1, 2016 and (ii) no attorney representing the Company or any Company Subsidiary, whether or not employed by the Company or any Company Subsidiary, has reported evidence of a material violation of securities Laws, material breach of fiduciary duty or similar material violation by the Company or any of its directors, officers, employees or agents to the Board of Directors of the Company or any committee thereof or to the general counsel or chief executive officer of the Company pursuant to the rules of the SEC adopted under Section 307 of the Sarbanes-Oxley Act.

(f) The Audit Committee of the Board of Directors of the Company has established whistleblower procedures that meet the requirements of Rule 10A-3 under the Exchange Act. Except for matters that are not material, neither the Company nor any Company Subsidiary has received any complaints (within the meaning of Rule 10A-3 under the Exchange Act) in respect of any accounting, internal accounting controls or auditing matters and, to the Company s Knowledge, no complaint seeking relief under Section 806 of the Sarbanes-Oxley Act has been filed with the United States Secretary of Labor and no employee has threatened to file any such complaint.

Section 4.9 Absence of Undisclosed Liabilities. The Company and the Company Subsidiaries do not have any liabilities or obligations, whether or not accrued, known or unknown, contingent or otherwise, that would be required to be reflected or reserved for on a consolidated balance sheet of the Company prepared in accordance with GAAP or disclosed in the notes thereto, except for liabilities or obligations (a) disclosed or provided for in the Financial Statements or specifically disclosed in the notes thereto, (b) incurred or resulted in connection with the transactions contemplated by this Agreement, (c) incurred after December 31, 2017 in the ordinary course of business consistent with past practices or (d) that have not had or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 4.10 Absence of Certain Changes. Since December 31, 2017, (a) through the date of this Agreement, except as otherwise required or contemplated by this Agreement, the Company and the Company Subsidiaries have conducted their respective businesses in all material respects in the ordinary course of business consistent with past practice and (b) there have not been any Changes that, individually or in the aggregate, have had or would reasonably be expected to have a Material Adverse Effect.

Section 4.11 Litigation; Investigations. There is no Proceeding (whether at Law or in equity) pending or, to the Knowledge of the Company, threatened against the Company or any Company Subsidiary or any of their respective directors or officers that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect or, as of the date of this Agreement, would reasonably be expected to prevent, materially impair or materially delay the Company from consummating the Merger. There is no Order outstanding against or, to the

Knowledge of the Company, investigation by any Governmental Authority involving the Company or any Company Subsidiary or any of their respective directors or officers that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect or, as of the date of this Agreement, would reasonably be expected to prevent, materially impair or materially delay

the Company from consummating the Merger. Since January 1, 2016, the Company has not conducted or caused to be conducted any internal investigation or inquiry (other than routine audits or examinations conducted by the Company s internal audit function in the ordinary course of business) relating to the Company, any Company Subsidiary or any of their respective directors or officers that, individually or in the aggregate, relates to any matter reasonably believed by the Company, following the conclusion of such investigation, to be material to the Company and the Company Subsidiaries, taken as a whole.

Section 4.12 Compliance with Laws; Permits.

(a) Except for matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect, the Company and each of the Company Subsidiaries are and since January 1, 2016, have been, in compliance with all applicable Laws. Since January 1, 2016 neither the Company nor any of the Company Subsidiaries has received any written notice or, to the Company s Knowledge, other communication from any Governmental Authority or any other Person regarding any actual or possible noncompliance with any Law, except for matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect or prevent, materially impair or materially delay the Company from consummating the Merger.

(b) To the Knowledge of the Company, since January 1, 2016, neither the Company or any of the Company Subsidiaries nor any of its or their respective directors, managers, officers, employees, consultants, agents or other Representatives, has (with respect to directors, managers, officers, employees, consultants, agents or other Representatives, when acting for or on behalf of the Company or any of the Company Subsidiaries) violated or is in violation of the Foreign Corrupt Practices Act of 1977 or any other applicable Law of similar effect. Except as permitted by applicable Law, neither the Company nor any of the Company Subsidiaries has, at any time since January 1, 2016, engaged in the sale, purchase, import, export, re-export or transfer of products or services, either directly or, to the Knowledge of the Company, indirectly, to or from Cuba, Iran, North Korea, Sudan or Syria. Except for matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect, all exports, re-exports, sales or transfers of products or services by the Company and the Company Subsidiaries have been effected in accordance with all applicable anti-corruption, export control, economic sanctions, and anti-boycott Laws of the United States or any other relevant jurisdiction.

(c) Each of the Company and the Company Subsidiaries hold all material Permits necessary for the lawful conduct of their respective businesses or ownership of their respective assets and properties, except where failure to hold such Permits, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect. Each of the Company and the Company Subsidiaries is in compliance with the terms of all such Permits, except where non-compliance, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect. Since January 1, 2016, neither the Company nor any of the Company Subsidiaries has received any written notice or, to the Company s Knowledge, other communication from any Governmental Authority or any other Person regarding any actual or threatened revocation, withdrawal, suspension, cancellation, termination or material modification of any Permit, except for matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect.

Section 4.13 Taxes.

(a) The Company and each Company Subsidiary have (i) duly and timely filed (or there have been duly and timely filed on its behalf) with the appropriate Taxing Authorities all Tax Returns required to be filed by it in respect of any material Taxes, which Tax Returns were accurate and complete in all material respects, (ii) duly and timely paid in full (or the Company has paid on the Company Subsidiaries behalf) all material Taxes due and owing (whether or not

shown on any Tax Return), (iii) established reserves in accordance with GAAP that are adequate for the payment of all material Taxes not yet due and payable by the Company and each Company Subsidiary through the date of this Agreement and (iv) complied in all material respects with all Laws applicable to the withholding and payment over of Taxes and has timely withheld and paid over to Taxing Authorities all material amounts required to be so withheld and paid over.

(b) There is no Proceeding or request for information now pending, outstanding or, to the Knowledge of the Company, threatened (in writing or otherwise) against or with respect to the Company or any Company Subsidiary in respect of any material Taxes or material Tax Returns. There is no material deficiency with respect to any Taxes that has been proposed, asserted or assessed in writing against the Company or any Company Subsidiary.

(c) There are no material Tax sharing agreements, material Tax indemnity agreements or other similar Contracts with respect to or involving the Company or any Company Subsidiary (other than any such Contract solely between or among the Company and the Company Subsidiaries or a Contract entered into in the ordinary course of business and not primarily relating to Taxes).

(d) None of the Company or any Company Subsidiary has material liability for the Taxes of any Person (other than the Company or the Company Subsidiaries) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or non-U.S. Law), or as a transferee or successor or otherwise by operation of Law.

(e) None of the Company or any Company Subsidiary will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) closing agreement as described in Section 7121 of the Code (or any similar provision of state, local or non-U.S. Law) executed on or prior to the Closing Date, or (iii) election made pursuant to Section 965(h) of the Code.

(f) No material claim has been made within the past five years by any Taxing Authority in a jurisdiction where the Company or any Company Subsidiary has not filed Tax Returns that it is or may be subject to taxation by that jurisdiction.

(g) There are no material Liens or other encumbrances for Taxes upon any property or assets of the Company or any Company Subsidiary, except for Permitted Liens.

(h) Neither the Company nor any Company Subsidiary has participated in a reportable transaction or listed transaction within the meaning of Treasury Regulation Section 1.6011-4(b).

(i) Neither the Company nor any Company Subsidiary has currently in effect any waiver of any statute of limitations in respect of Taxes or any agreement to any extension of time with regard to a material Tax assessment or deficiency (other than pursuant to extensions of time to file Tax Returns obtained in the ordinary course consistent with past practices), and no such waivers are pending.

(j) None of the Company or any Company Subsidiary has been a controlled corporation or a distributing corporation in any distribution occurring during the two-year period ending on the date of this Agreement that was purported or intended to be governed by Section 355 or Section 361 of the Code (or any similar provision of state, local or non-U.S. Law).

(k) The Company is not, and has not been at any time within the last five years, a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code.

(l) Neither the Company nor any Company Subsidiary has experienced an ownership change within the meaning of Section 382 of the Code.

Section 4.14 Employee Benefit Plans and Related Matters; ERISA.

(a) With respect to each of the material Benefit Plans, the Company has made available to Parent accurate and complete copies of each of the following documents: (i) the current plan document for each such Benefit Plan (including all amendments thereto), or if there is no written plan document, a written description thereof, (ii) the most recent annual report and actuarial report, if required under ERIS