

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1 ON FORM S-3
TO
S-4 REGISTRATION STATEMENT
under
The Securities Act of 1933

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

Delaware 3275 36-3329400
(State or other jurisdiction of (Primary Standard Industrial (I.R.S. Employer
incorporation or organization) Classification Code Number) Identification No.)
125 South Franklin Street
Chicago, Illinois 60606-4678
(312) 606-4000
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

Arthur G. Leisten, Esq.
Senior Vice President - General Counsel
125 South Franklin Street
Chicago, Illinois 60606-4678
(312) 606-4000
(Name, address and telephone number of agent for service)

Copies to:
Francis J. Gerlits, P.C.
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601

Approximate date of commencement of proposed sale to the public:
From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. X

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (2)
Common Stock, par value \$0.10 per share	2,595,997 shares	\$16.14	\$41,899,391	n/a

- (1) The 2,595,997 shares of Common Stock (which are issuable upon the exercise of certain warrants) were originally registered pursuant to Registration Statement No. 33-40136 on Form S-4. This Post-Effective Amendment No. 1 amends Registration Statement No. 33-40136 to convert Registration Statement No. 33-40136 from a Registration Statement on Form S-4 to a Registration Statement on Form S-3.
- (2) In connection with Registration Statement No. 33-40136 on Form S-4, a registration fee of \$122,417 has been paid with respect to the 2,595,997 shares of Common Stock and the other securities registered thereunder.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

PROSPECTUS
Subject to Completion
Dated April 21, 1994

2,595,997 SHARES

USG CORPORATION

COMMON STOCK
(\$0.10 Par Value)

This Prospectus relates to the public offering by USG Corporation ("USG" or the "Corporation") of up to 2,595,997 shares (the "Shares") of the Corporation's common stock (the "Common Stock"), par value \$0.10 per share, to be issued from time to time continuing until the earlier of (i) May 5, 1998, or (ii) the date upon which all Warrants (as defined herein) have been exercised. The Shares are to be issued upon the exercise of warrants (the "Warrants") issued in the Restructuring (as defined herein) pursuant to a warrant agreement dated as of May 6, 1993 between the Corporation and Harris Trust and Savings Bank as the Warrant Agent. See "Plan of Distribution." Each Warrant entitles the holder (the "Warrantholder") to purchase one share of Common Stock at a purchase price of \$16.14 per share, subject to adjustment under certain events. The Warrants expire at 4:00 p.m. Chicago time, on May 5, 1998.

If all of the Warrants are exercised, the Corporation will receive proceeds of \$42 million less expenses. However, there is no assurance that any Warrants will be exercised. If the Corporation does receive any proceeds from exercises of the Warrants, such proceeds may be received as late as May 5, 1998, the final date the Warrants may be exercised. See "Use of Proceeds." Warrantholders will not recognize any gain or loss on the purchase of the Shares for cash upon exercise of the Warrants. However, Warrantholders should consult their own tax advisors. See "Federal Income Tax Consequences."

The Shares are offered hereby directly to the Warrantholders, and no discounts, commissions or other compensation will be paid in connection therewith. The Corporation has agreed to bear certain expenses in connection with the registration and issuance of the Shares which expenses are estimated to be approximately \$30,000. See "Plan of Distribution."

The Common Stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "USG." The Warrants are traded on the NYSE under the symbol "USGwt." Warrantholders are encouraged to obtain current trading price information.

No person has been authorized to give any information or to make any representations not contained in this Prospectus in connection with this

offering of the Shares, and if given or made, such information or representations must not be relied upon as having been authorized by USG. This Prospectus does not constitute an offer of any securities other than the Shares to which it relates or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which such offer or solicitation may not be legally made.

No action has been or will be taken by the Corporation that would permit a public offering of the Shares or the circulation or distribution of this Prospectus or any offering material in relation to the Corporation or the Shares in any country or jurisdiction other than the United States where action for that purpose is required.

THE SHARES OFFERED HEREBY INVOLVE CERTAIN RISKS. SEE "RISK FACTORS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is _____, 1994.

AVAILABLE INFORMATION

The Corporation has filed with the Securities and Exchange Commission (the "Commission" or the "SEC") a Registration Statement (the "Registration Statement") (which term shall encompass all amendments, exhibits and schedules thereto) under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Shares being offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission, and to which reference is hereby made. Such additional information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following regional offices of the Commission: Northwestern Atrium Center, 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661; and Seven World Trade Center, New York, New York 10048. Copies of such material can be obtained by mail from the public reference section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete but such statements are complete in all material respects for the purposes herein made. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

The Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, files periodic reports and other information with the Commission. Such reports and other information filed with the Commission, as well as the Registration Statement, can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and Seven World Trade Center, New York, New York 10048. Copies of such material can also be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such reports and other information with respect to the Corporation are available for inspection at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 and the Chicago Stock Exchange, Inc., One Financial Place, 440 South LaSalle Street, Chicago, Illinois 60605.

INFORMATION INCORPORATED BY REFERENCE

The Corporation's Annual Report on Form 10-K for the year ended December 31, 1993 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 have been filed by the Corporation with the Commission (File No. 1-8864)

and are specifically incorporated herein by reference. The description of the capital stock of USG contained in its registration statement on Form 8-A filed with the Commission on April 16, 1993 is also specifically incorporated herein by reference.

All documents filed by the Corporation with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the earlier of (i) May 5, 1998, or (ii) the date upon which all Warrants have been exercised, shall be deemed to be incorporated by reference in this Prospectus and to be part of this Prospectus from the date of the filing of such document. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Corporation hereby undertakes to provide without charge to each person, including a beneficial owner, to whom a copy of this Prospectus has been delivered, upon the written or oral request of such person, a copy of any or all of the information filed by it that has been incorporated by reference in this Prospectus (not including exhibits to the information that is incorporated by reference herein unless such exhibits are specifically incorporated by reference in such information). Requests for such information should be directed to USG Corporation, 125 South Franklin Street, Chicago, Illinois 60606-4678, Attention: Corporate Secretary (telephone number: (312) 606-4000).

USG CORPORATION

Through its subsidiaries (the "Subsidiaries"), USG is a leading manufacturer of building materials in North America which produces a wide range of products for use in residential and nonresidential construction, repair and remodeling, as well as products used in certain industrial processes. United States Gypsum Company ("U.S. Gypsum") is the largest producer of gypsum wallboard in the United States and accounted for approximately one-third of total domestic gypsum wallboard sales in 1993. USG Interiors, Inc. is a leading supplier of interior ceiling, wall and floor products used primarily in commercial applications. In 1993, USG Interiors, Inc. was the largest producer of ceiling grid and the second largest producer of ceiling tile in the United States. L&W Supply Corporation is the largest distributor of wallboard and related products in the United States and in 1993 distributed approximately 22% of U.S. Gypsum's wallboard production. In addition to its United States operations, the Corporation's 76% owned Subsidiary, CGC Inc. is the largest manufacturer of gypsum products in eastern Canada and the Corporation's USG International unit supplies interior systems and gypsum wallboard products in Europe, the Pacific and Latin America.

On May 6, 1993, the Corporation completed a comprehensive restructuring of its debt (the "Restructuring") through implementation of a "prepackaged" plan of reorganization under the federal bankruptcy laws. The Restructuring significantly reduced the Corporation's overall interest and debt repayment obligations and extended the maturities of a substantial portion of its remaining debt. In the Restructuring, the Corporation (i) converted approximately \$1.4 billion of subordinated debt and accrued interest into Common Stock and the Warrants, (ii) converted approximately \$340 million of its bank obligations into 10 1/4% Senior Notes due 2002 (the "Senior 2002 Notes"), and (iii) extended the maturities of its remaining bank obligations and certain public debt. Subsequent to the Restructuring, the Corporation also completed an exchange offer that converted an additional \$138 million of bank debt into Senior 2002 Notes and reduced scheduled bank debt amortization. See "Risk Factors."

In February and March 1994, the Corporation completed a public offering of 7.9 million shares of its Common Stock (the "Equity Offering") yielding net proceeds of \$224 million to the Corporation. The Equity Offering was part of a larger refinancing plan which also included a \$150 million note placement, the amendment of USG's credit agreement and utilization of \$158 million of cash generated from operations. The refinancing strategy will: (i) reduce the Corporation's total debt by up to \$276 million principal amount, including a \$140 million prepayment of scheduled bank debt amortization, (ii) obtain an increase in its revolving credit facility by \$70 million, (iii) extend the final maturity of a significant amount of its remaining debt, (iv) improve its financial and operating flexibility under its bank credit agreement, and (v) provide an estimated \$106 million in funds for

general corporate purposes. Despite the improved financial flexibility provided by the refinancing plan, the Corporation remains highly leveraged. Warrantholders should consider carefully the factors set forth under the caption "Risk Factors", as well as the other information set forth in this Prospectus prior to deciding whether or not to exercise the Warrants. See "Risk Factors."

The Corporation's principal executive offices are located at 125 South Franklin Street, Chicago, Illinois 60606. Its telephone number at that address is 312-606-4000.

RISK FACTORS

Warrantholders should consider carefully the factors set forth below, as well as the other information set forth in this Prospectus prior to deciding whether or not to exercise the Warrants.

High Leverage

The Corporation is highly leveraged. As of December 31, 1993, the Corporation had \$1,531 million principal amount of total debt (which had a carrying amount of \$1,476 million on the Corporation's balance sheet after deducting unamortized reorganization debt discount of \$55 million) and a deficit in stockholders' equity of \$134 million. As adjusted to reflect the Equity Offering and the debt repayments made or to be made in connection therewith, the Corporation's total principal amount of debt and stockholders' equity as of December 31, 1993 would have been \$1,255 million and \$89 million, respectively. The Corporation is expected to have a deficit in stockholders' equity at least during the period from 1993 through 1998 when reorganization value in excess of identifiable assets ("Excess Reorganization Value") will be amortized. See "Risk Factors - Recent Losses."

The degree to which the Corporation is leveraged will pose risks to holders of the Common Stock, including, but not limited to, the following: (i) a significant portion of the Corporation's cash flow from operations will be dedicated to the payment of principal and interest on its indebtedness, thereby reducing the funds available to the Corporation for its operations; (ii) the Corporation's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes will be restricted; (iii) certain of the Corporation's borrowings are and will continue to carry variable rates of interest, which could result in higher interest expense in the event of an increase in interest rates; and (iv) certain indebtedness contain financial and restrictive covenants, the failure to comply with which may result in an event of default which, if not cured or waived, could have a material adverse effect on the Corporation. These and other factors could have material adverse effects on the marketability, price and future value of the Common Stock.

Liquidity; Reliance on Recovery In Construction-Based Markets

The Corporation believes that cash generated by operations and the estimated levels of liquidity available to the Corporation will be sufficient to permit the Corporation to satisfy its debt service requirements and other capital requirements for the foreseeable future. However, the Corporation is subject to significant business, economic and competitive uncertainties that are beyond its control. Therefore, there can be no assurance that the Corporation's financial resources will be sufficient for the Corporation to satisfy its debt service obligations and other capital requirements. See "Risk Factors - Cyclical Business."

Recent Losses

During the period from May 7 through December 31, 1993, the Corporation reported a net loss of \$129 million after the amortization of \$113 million of Excess Reorganization Value. The Corporation expects to report net losses at least until its Excess Reorganization Value is fully amortized in 1998. Such amortization will be \$170 million per year in 1994 through 1997 and \$57 million in 1998. Although a significant portion of the Corporation's recent net losses are the result of non-cash items, there can be no assurance that the Corporation will have net income in the future.

Cyclical Business

The Corporation's business is cyclical in nature and sensitive to changes in general economic conditions, including, in particular, conditions in the housing and construction-based markets. These markets are in turn influenced by a variety of factors beyond the Corporation's control, including interest rates. As a result of this cyclicity, the Corporation has experienced and in the future could experience reduced revenues and margins, which may affect the Corporation's ability to satisfy its debt service obligations on a timely basis. During 1992, a modest recovery in the Corporation's markets was evidenced by increases in housing starts and wallboard pricing and shipments, in addition to improvement in sales of other construction products over 1991. This recovery continued in 1993. However, there can be no assurance that the modest recovery which began in 1992 will continue.

Noncomparability of Historical Financial Information

As a result of the adoption of fresh start accounting upon emergence from bankruptcy, the Corporation's assets and liabilities were adjusted to fair values and retained earnings were restated to zero. The historical financial information presented or incorporated by reference herein should not, therefore, be viewed as indicative of the Corporation's future financial performance.

Asbestos Litigation

One of the Corporation's subsidiaries, U.S. Gypsum, is a defendant in asbestos lawsuits alleging property damage (the "Property Damage Cases") and personal injury (the "Personal Injury Cases") and seeking compensatory and, in many cases, punitive damages. This litigation has not had a material effect on the Corporation's liquidity or earnings. To date, virtually all costs of the Personal Injury Cases have been paid by insurance. U.S. Gypsum estimates that it is probable that the Personal Injury Cases pending at December 31, 1993 can be disposed of for an amount between \$100 million and \$120 million, virtually all of which is expected to be paid by insurance. U.S. Gypsum is unable to make a reasonable estimate of the cost of disposing of its pending Property Damage Cases, some of which are class actions or involve multiple buildings. Many of U.S. Gypsum's insurance carriers are denying coverage for the Property Damage Cases, although U.S. Gypsum believes that substantial coverage exists and the trial court in U.S. Gypsum's insurance coverage action (the "Coverage Action") against its carriers has so ruled (such ruling has been appealed).

In view of the limited insurance funding currently available to U.S. Gypsum for Property Damage Cases resulting from continued resistance by a number of its insurers to providing coverage, the effect of the asbestos litigation on the Corporation will depend upon a variety of factors, including the damages sought in Property Damage Cases that reach trial prior to the completion of the Coverage Action, U.S. Gypsum's ability to successfully defend or settle such cases, and the resolution of the Coverage Action. As a result, management is unable to determine whether an adverse outcome in the asbestos litigation will have a material adverse effect on the results of operations or the consolidated financial position of the Corporation. The Corporation's independent public accountants have also noted this uncertainty in their report with respect to the financial statements of the Corporation.

Credit Agreement and Other Restrictions

USG's credit agreement (the "Credit Agreement") contains certain restrictions on the Corporation's operations including, among other things, limitations on the ability of the Corporation and certain of the Subsidiaries ("Restricted Subsidiaries") to (i) incur additional indebtedness, subject to certain exceptions, including an exception allowing an aggregate of \$50 million of capitalized lease obligations and an aggregate of \$75 million of indebtedness to be incurred by foreign Subsidiaries that are not Restricted Subsidiaries, (ii) make any investments in excess of \$20 million in the aggregate, subject to certain exceptions, including an exception allowing the Corporation (subject to certain terms and conditions) to repurchase its public senior debt with certain proceeds of permitted asset sales, certain proceeds from the issuance of public equity or debt securities and certain excess cash flow otherwise payable to the banks under the Credit Agreement, (iii) make capital expenditures, subject to various exceptions and limitations, or sell assets outside the ordinary course of business, subject to certain exceptions, including an exception allowing for sales of up to \$20 million in any fiscal year and \$5 million in any single transaction or series of related

transactions, (iv) make certain payments with respect to outstanding stock and debt, (v) give guarantees, and (vi) effect certain fundamental changes, such as the sale of all or substantially all of the Corporation's or any Restricted Subsidiary's assets, or enter into mergers, recapitalizations or other similar transactions. Although the recent amendments to the Credit Agreement are designed to increase the Corporation's financial and operating flexibility in certain regards, the foregoing restrictions nonetheless will continue to limit the Corporation's ability to respond to opportunities or changes in its business.

In addition, after January 1, 1995, the Credit Agreement will require the Corporation to achieve and maintain certain financial ratios and tests. There can be no assurance that the Corporation will be able to achieve and maintain compliance with the prescribed financial ratios and tests or other requirements under the Credit Agreement. Failure to achieve or maintain compliance with such financial ratios and tests or other requirements under the Credit Agreement would result in a default that could lead to the acceleration of the Corporation's obligations under the Credit Agreement. An acceleration under the Credit Agreement would in turn permit the acceleration of other indebtedness of the Corporation. The acceleration of any such indebtedness would result in its becoming immediately due and payable and could result in the Corporation becoming subject to a proceeding under the federal bankruptcy laws.

In addition to the restrictions and covenants contained in the Credit Agreement, the Senior 2002 Notes contain restrictions on the ability of the Corporation and the Subsidiaries to incur additional indebtedness, to pay dividends on the Common Stock, to effect certain fundamental changes and to enter into certain types of transactions.

Restrictions on Common Stock Dividends

The Corporation anticipates that no cash dividends will be paid on the Common Stock for the foreseeable future. Further, the Corporation's ability to pay cash dividends on the Common Stock is restricted under a number of the Corporation's existing agreements. For example, the Senior 2002 Notes prohibit the payment of cash dividends on the Common Stock subject to certain limited exceptions and the Credit Agreement prohibits the payment of any cash dividends on the Common Stock. See "Dividend Policy."

Antitakeover Provisions

The Corporation's Certificate of Incorporation, the Corporation's Shareholder Rights Plan and the Delaware General Corporation Law contain provisions that could have the effect of delaying or preventing transactions that result in a change of control of the Corporation, including transactions in which stockholders might otherwise receive a substantial premium for their shares of Common Stock over then current market prices, and may limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

Future Distributions or Sales of Common Stock

Water Street Corporation Recovery Fund I, L.P. ("Water Street"), together with its affiliates Goldman, Sachs & Co. and The Goldman Sachs Group, L.P. (collectively the "Water Street Entities"), beneficially own 9,630,840 shares of Common Stock (including 116,070 of the Warrants), or approximately 21% of the Common Stock outstanding as of March 22, 1994. Goldman, Sachs & Co. is the general partner of Water Street. Messrs. Zubrow and Fetzer, who are directors of the Corporation, are general partners of Goldman, Sachs & Co.

On February 25, 1993, the Corporation entered into a letter agreement with the Water Street Entities (the "Water Street Agreement"). The Water Street Agreement, among other things, (i) restricts purchases of Common Stock by the Water Street Entities; (ii) governs voting by the Water Street Entities of shares of Common Stock beneficially owned by them; (iii) restricts transfers by the Water Street Entities of shares of Common Stock to any person, except for (a) sales consistent with Rule 144 of the Securities Act, (b) underwritten public offerings, (c) person not known to be 5% holders, (d) pledgees who agree to be bound by certain provisions of the Water Street Agreement, (e) in the case of Water Street, distributions to Water Street's partners in accordance with the governing partnership agreement, (f) pursuant to certain tender or exchange offers for shares of Common Stock and (g) pursuant to transactions approved by the Board; (iv) requires that the Corporation's Shareholder Rights Plan provide temporary exemptions for

ownership of Common Stock by the Water Street Entities; and (v) provides Water Street with four demand registrations and unlimited piggyback registrations, subject to certain limitations. During the 120-day period after the effective date of the Equity Offering (as defined herein), Water Street (and, if it distributes Common Stock to the partners of Water Street, those partners) shall not request a demand registration of Common Stock. In addition, during such 120-day period, Water Street and Goldman, Sachs & Co. shall not sell or otherwise dispose of any shares of Common Stock or Warrants, except that, at any time after 90 days after the effective date of the Equity Offering, Water Street may distribute all or any portion of its shares of Common Stock and Warrants to the partners in Water Street in accordance with its governing partnership agreement. In the event of any such distribution by Water Street, the partners (other than Goldman, Sachs & Co.) would not be subject to the restriction on selling shares of Common Stock or Warrants during the remainder of the 120-day period. Except in the case of the Equity Offering, the Corporation and Water Street have mutual piggyback rights on registrations initiated by either, generally on a 50-50 basis.

There can be no assurance as to what effect future distributions of Common Stock by Water Street to its partners or future sales by Water Street or its partners would have on the trading markets for the Common Stock.

USE OF PROCEEDS

If all of the Warrants are exercised the Corporation will receive proceeds of \$42 million less expenses. However, there is no assurance that any Warrants will be exercised. If the Corporation does receive any proceeds from exercises of the Warrants, such proceeds may be received as late as May 5, 1998, the final date the Warrants may be exercised. The Corporation expects to use any proceeds received in connection with the exercise of the Warrants for general corporate purposes.

DIVIDEND POLICY

Since July 1988, the Corporation has not declared or paid any cash dividends on its Common Stock. The Corporation does not presently intend to pay any dividends in the foreseeable future. In addition, the Corporation's Credit Agreement and certain other debt instruments currently restrict the Corporation's ability to pay dividends to common stockholders. Moreover, the Corporation is prohibited from paying any dividends without surplus earnings or capital earmarked for this purpose under Delaware corporate law. See "Risk Factors - Restrictions on Common Stock Dividends."

PLAN OF DISTRIBUTION

The Shares offered hereby are being offered directly by the Corporation to the Warrantholders in connection with the exercise of the Warrants. The Warrants may be exercised from time to time continuing until 4:00 p.m. Chicago time, on May 5, 1998. The Shares are offered directly to the Warrantholders and no discounts, commissions or other compensation will be paid in connection therewith. The Corporation has reserved 2,595,997 shares of Common Stock for issuance upon exercise of the Warrants.

The Corporation has agreed to bear certain expenses in connection with the registration and issuance of the Shares which expenses are estimated to be approximately \$30,000.

FEDERAL INCOME TAX CONSEQUENCES

Warrantholders will not recognize any gain or loss on the purchase of Shares for cash upon exercise of the Warrants. The tax basis of the Shares received will be equal to the tax basis, as adjusted, in the Warrants so exercised, plus the cash exercise price. The holding period of the Shares received will not include any period during which the Warrants were held. While not free from doubt, the holding period for such Shares should commence upon the day after the exercise of the related Warrants. Warrantholders should consult their own tax advisors concerning the federal income tax consequences of the receipt, sale, exchange or other disposition of the Warrants, and concerning their tax basis in the Warrants. Warrantholders should also consult their own tax advisors as to the tax treatment arising from the application of foreign, state or local tax laws and regulations.

LEGAL MATTERS

The validity of the Shares will be passed upon by Kirkland & Ellis, Chicago, Illinois.

EXPERTS

The consolidated financial statements and supplemental schedules of the Corporation and the Subsidiaries as presented in its Annual Report on Form 10-K, incorporated in this prospectus by reference, have been audited by Arthur Andersen & Co., independent public accountants, as stated in their report appearing therein and have been so incorporated in reliance upon such report given upon the authority of that firm as experts in giving said reports. Reference is made to said reports, which (1) for the Restructured Company, includes an explanatory paragraph with respect to the asbestos litigation as discussed in Notes to the Financial Statements - "Litigation" note; and (2) for the Predecessor Company, includes an explanatory paragraph with respect to the asbestos litigation as discussed in Notes to the Financial Statements - "Litigation" note and an explanatory paragraph with respect to the changes in the methods of accounting for postretirement benefits other than pensions and accounting for income taxes as discussed in Notes to Financial Statements - "Cumulative Effect of Changes in Accounting Principles" note.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

The following are the estimated expenses of the issuance and distribution of the securities being registered, including fees and expenses previously incurred by the Corporation, other than any underwriting compensation.

Item	Amount
Legal Fees and Expenses	\$ 15,000
Accountants' Fees and Expenses	5,000
Miscellaneous Expenses	10,000
Total	\$ 30,000

Item 15. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law ("Section 145") (a) gives Delaware corporations broad powers to indemnify their present and former directors and officers and those of affiliated corporations against expenses incurred in the defense of any lawsuit to which they are made parties by reason of being or having been such directors or officers, subject to specified conditions and exclusions, (b) gives a director or officer who successfully defends an action the right to be so indemnified, and (c) authorizes the corporation to buy directors' and officers' liability insurance. Such indemnification is not exclusive of any other right to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or otherwise.

A bylaw provides that the Corporation (a) shall indemnify every person who is or was a director or officer of the Corporation or is or was serving at the Corporation's request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise and (b) shall, if the board of directors so directs, indemnify any person who is or was an employee or agent of the Corporation or is or was serving at the Corporation's request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to the extent, in the manner, and subject to compliance with the applicable standards of conduct, provided by Section 145 as the same (or any substitute provision therefor) may be in effect from time to time.

Any such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

The Corporation has procured insurance for the purpose of substantially covering its future potential liability for indemnification under Section 145 as discussed above and certain future potential liability of individual officers or directors incurred in their capacity as such which is not subject to indemnification.

The Corporation has entered into Indemnification Agreements with each of its officers and directors. The Indemnification Agreements provide that the Corporation shall indemnify and keep indemnified the indemnitee to the fullest extent authorized by Section 145 as it may be in effect from time to time from and against any expenses (including expenses of investigation and preparation and reasonable fees and disbursements of legal counsel, accountants and other experts), judgments, fines and amounts paid in settlement by the indemnitee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether or not the cause of action, suit or proceeding incurred before or after the date of the Indemnification Agreement. The Indemnification Agreements further provide for advancement of amounts to cover expenses incurred by the indemnitee in defending any such action, suit or proceeding subject to an undertaking by the indemnitee to repay any expenses advanced which it is later determined he or she was not entitled to receive.

Item 16. Exhibits and Financial Statement Schedules

(a) The following is a complete list of Exhibits filed as a part of this Registration Statement:

See Exhibit Index

Item 17. Undertakings

The Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be the initial bona fide offering thereof.

(5) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons

of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois on April 21, 1994.

USG CORPORATION

By: /s/ Richard H. Fleming
Richard H. Fleming
Vice President and Chief Financial
Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed on April 21, 1994, by the following persons in the capacities indicated:

Signature	Title
* Eugene B. Connolly	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
William C. Foote	President, Chief Operating Officer and Director
/s/ Richard H. Fleming Richard H. Fleming	Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Raymond T. Belz Raymond T. Belz	Vice President and Controller (Principal Accounting Officer)
* Robert L. Barnett	Director
* Keith A. Brown	Director
W.H. Clark	Director
* James C. Cotting	Director
* Lawrence M. Crutcher	Director

Wade Fetzter III	*	Director
David W. Fox	*	Director
Philip C. Jackson, Jr.	*	Director
Marvin E. Lesser	*	Director
John B. Schwemm		Director
Judith A. Sprieser		Director
Alan G. Turner	*	Director
Barry L. Zubrow	*	Director

*By: /s/ Richard H. Fleming
Richard H. Fleming
Attorney-in-fact

EXHIBIT INDEX

The following documents are the exhibits to this Registration Statement on Form S-3. For convenient reference, each exhibit is listed according to the Exhibit Table of Regulation S-K. The page number, if any, listed opposite an exhibit indicates the page number in the sequential numbering system in the manually signed original of this Registration Statement on Form S-3 where such exhibit can be found.

Exhibit No.	Page
3. Articles of incorporation and by-laws:	
(a) Restated Certificate of Incorporation of USG Corporation (incorporated by reference to Exhibit 3.1 of USG Corporation's Form 8-K, dated May 7, 1993).	
(b) Amended and Restated By-Laws of USG Corporation, dated as of May 12, 1993 (incorporated by reference to Exhibit 3(b) of Amendment No. 1 to USG Corporation's Registration Statement No. 33-61162 on Form S-1, dated June 16, 1993).	
4. Instruments defining the rights of security holders, including indentures:	
(a) Indenture dated as of October 1, 1986 between USG Corporation and Harris Trust and Savings Bank, Trustee (incorporated by reference to Exhibit 4(a) of USG Corporation's Registration Statement No. 33-9294 on Form S-3, dated October 7, 1986).	
(b) Resolutions dated December 16, 1986 of a Special	

Committee created by the Board of Directors of USG Corporation (incorporated by reference to Exhibit 4(b) of USG Corporation's 1993 Annual Report on Form 10-K, filed on February 24, 1994).

- (c) Resolutions dated March 5, 1987 of a Special Committee created by the Board of Directors of USG Corporation (incorporated by reference to Exhibit 4(c) of USG Corporation's 1993 Annual Report on Form 10-K, filed on February 24, 1994).
- (d) Resolutions dated March 6, 1987 of a Special Committee created by the Board of Directors of USG Corporation (incorporated by reference to Exhibit 4(d) of USG Corporation's 1993 Annual Report on Form 10-K, filed on February 24, 1994).
- (e) Resolutions dated April 26, 1993 of a Special Committee created by the Board of Directors of USG Corporation relating to USG Corporation's 8% Senior Notes due 1995 and 9% Senior Notes due 1998 (incorporated by reference to Exhibit 4.1 of USG Corporation's Form 8-K, dated May 7, 1993).
- (f) Consent Resolutions adopted by a Special Committee created by the Board of Directors of USG Corporation relating to USG Corporation's 9 1/4% Senior Notes due 2001 (incorporated by reference to Exhibit 4(f) of USG Corporation's Amendment No. 1 to Registration Statement No. 33-51845 on Form S-1, filed on February 16, 1994).
- (g) Consent Resolutions adopted by a Special Committee created by the Board of Directors of USG Corporation relating to USG Corporation's 9 1/4% Senior Notes due 2001, Series B (incorporated by reference to Exhibit 4(g) of USG Corporation's Amendment No. 1 to Registration Statement No. 33-52433 on Form S-4, filed on March 21, 1994).
- (h) Indenture dated as of April 26, 1993 among USG Corporation, certain guarantors and State Street Bank and Trust Company, as Trustees, relating to USG Corporation's 10 1/4% Senior Notes due 2002 (incorporated by reference to Exhibit 4.2 of USG Corporation's Form 8-K, dated May 7, 1993).
- (i) Indenture dated as of August 10, 1993 among USG Corporation, certain guarantors and State Street Bank and Trust Company, as Trustee, relating to USG Corporation's 10 1/4% Senior Notes due 2002, Series B (incorporated by reference to Exhibit 4(f) of USG Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 dated August 12, 1993).
- (j) Warrant Agreement dated May 6, 1993 between USG Corporation and Harris Trust and Savings Bank, as Warrant Agent, relating to USG Corporation's Warrants (incorporated by reference to Exhibit 4.3 of USG Corporation's Form 8-K, dated May 7, 1993).
- (k) Form of Warrant Certificate (incorporated by reference to Exhibit 4(g) of Amendment No. 4 to USG Corporation's Registration Statement No. 33-40136 on Form S-4, dated November 12, 1992).
- (l) Rights Agreement dated May 6, 1993 between USG Corporation and Harris Trust and Savings Bank, as Rights Agent (incorporated by reference to Exhibit 10.1 of USG Corporation's Form 8-K, dated May 7, 1993).
- (m) Form of Common Stock certificate (incorporated by reference to Exhibit 4.4 to USG Corporation's Form 8-K, dated May 7, 1993).

The Corporation and certain of its consolidated subsidiaries are parties to long-term debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis. Pursuant to paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K, the Corporation agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

5. Opinions of counsel as to the legality of the securities being registered.

23. Consents of experts and counsel.
 - (a) Consent of Arthur Andersen & Co.
 - (b) Consents of counsel (included in Exhibit 5).
24. Power of attorney.

Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601

To call writer direct:
(312) 861-2000

Facsimile
(312) 861-2200

April 21, 1994

USG Corporation
125 South Franklin Street
Chicago, Illinois 60606

Ladies and Gentlemen:

We have acted as counsel to USG Corporation, a Delaware corporation (the "Corporation"), in connection with the registration of up to 2,595,997 shares (the "Shares") of common stock, par value \$.10 per share, of the Corporation on Post-Effective Amendment No. 1 on Form S-3 to Registration Statement No. 33-40136 on Form S-4. Post-Effective Amendment No. 1 on Form S-3 was filed with the Securities and Exchange Commission (the "Commission") on April 21, 1994 (such Post-Effective Amendment No. 1 on Form S-3 together with any exhibits or amendments thereto, "Post-Effective Amendment No. 1"). The Shares were originally registered pursuant to Registration Statement No. 33-40136 on Form S-4. Post-Effective Amendment No. 1 amends Registration Statement No. 33-40136 to convert Registration Statement No. 33-40136 from a Registration Statement on Form S-4 to a Registration Statement on Form S-3.

The Shares are to be issued by the Corporation from time to time upon the exercise of warrants (the "Warrants") issued pursuant to a plan of reorganization under Title 11 of the United States Code confirmed by a federal bankruptcy court, and under a warrant agreement (the "Warrant Agreement") dated as of May 6, 1993 between the Corporation and Harris Trust and Savings Bank as the Warrant Agent.

We have examined the Corporation's certificate of incorporation, bylaws, resolutions of its board of directors and originals, or copies certified or otherwise identified to our satisfaction, of such other documents, corporate records and other instruments as we have deemed necessary for the purpose of this opinion and such other matters of fact and law which we have deemed necessary in order to render this opinion.

For the purposes of this opinion, we have assumed the authenticity of all documents submitted to us as originals, the conformity to the originals of all documents submitted to us as copies, and the authenticity of the originals of all documents submitted to us as copies. We have also assumed the genuineness of the signatures of persons signing all documents in connection with which this opinion is rendered, the authority of such persons signing on behalf of the parties thereto other than the Corporation, and the due authorization, execution and delivery of all documents by parties thereto other than the Corporation.

Based upon the foregoing, we are of the opinion that when, as and if (i) Post-Effective Amendment No. 1 shall have become effective pursuant to the provisions of the Securities Act of 1933, as amended, (ii) the Warrants are exercised in compliance with the terms of the Warrant Agreement, (iii) the Corporation shall have received the applicable purchase price for the Shares under the Warrants, (iv) the Shares shall have been issued in the form and containing the terms described in Post-Effective Amendment No. 1, the Warrant Agreement, and the resolutions of the Corporation's Board of Directors (and any authorized committee thereof), and (v) the Shares will be validly

issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to Post-Effective Amendment No. 1 and to the reference to us under the heading entitled "Legal Matters" in the Prospectus which is part of Post-Effective Amendment No. 1.

We do not find it necessary for purposes of this opinion, and accordingly do not purport to cover herein, the application of the securities or "Blue Sky" laws of the various states to the sale of the Shares. We render no opinion as to the laws of any jurisdiction other than the internal law of the State of Illinois and the United States of America and the internal corporate law of the State of Delaware.

This opinion is being furnished to the addressee in connection with the filing of Post-Effective Amendment No. 1, and is not to be used, circulated, quoted or otherwise relied upon for any other purpose.

Very truly yours,

/s/ KIRKLAND & ELLIS
KIRKLAND & ELLIS

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our reports dated January 31, 1994, and to all references to our Firm included in this registration statement.

/s/ Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.

Chicago, Illinois,
April 21, 1994

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard H. Fleming, John E. Malone and Raymond T. Belz and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for and in his or her name, place and stead, in any and all capacities, to sign a Registration Statement on Form S-3 relating to shares of USG Corporation's common stock issuable in connection with the exercise of outstanding warrants of USG Corporation, and any or all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

This power of attorney has been signed as of February 9, 1994 by the following persons.

/s/ Eugene B. Connolly
Eugene B. Connolly
Chairman of the Board,
Chief Executive Officer,
and Director

/s/ David W. Fox
David W. Fox
Director

/s/ Robert L. Barnett
Jr.
Robert L. Barnett
Director

/s/ Philip C. Jackson,
Philip C. Jackson, Jr.
Director

/s/ Keith A. Brown
Keith A. Brown
Director

/s/ Marvin E. Lesser
Marvin E. Lesser
Director

/s/ James C. Cotting
James C. Cotting
Director

/s/ Alan G. Turner
Alan G. Turner
Director

/s/ Lawrence M. Crutcher
Lawrence M. Crutcher
Director

/s/ Barry L. Zubrow
Barry L. Zubrow
Director

/s/ Wade Fetzer III
Wade Fetzer III
Director