

USG Corporation

P. O. Box 6721

Chicago, IL 60680-6721

312 606-4000 Fax: 312 606-4093



July 25, 1997

RE: Expiration of Offer to Exchange USG Corporation 16% Jr. Subordinated Pay-In-Kind Debentures Due 2008

Dear USG Corporation Securityholder:

On April 23, 1993, the United States Bankruptcy Court for the District of Delaware approved the USG Corporation prepackaged plan of reorganization ("Plan"). On the effective date of the Plan, May 6, 1993, the Corporation began issuing new common stock and warrants to purchase new common stock in exchange for its then outstanding 16% Jr. Subordinated Pay-In-Kind Debentures Due 2008 ("PIKS") (reference CUSIP #903293 AF 5). Trading in the new common stock and warrants began on the New York Stock Exchange on May 7, 1993, under the ticker symbols USG and USGwt, respectively.

Under the terms of the Plan, any PIK holder who has not exchanged his, her or its PIKS for new common stock and warrants before the close of business on May 5, 1998 ("Expiration Date"), will lose all right to receive new common stock and warrants in exchange for the PIKS. Furthermore, all warrants that remain unissued, unexercised or outstanding on the Expiration Date will revert to the Corporation.

The Corporation's records indicate that you have not yet exchanged PIKS registered in your name for new common stock and warrants. We urge you to take action in exchanging your PIKS now to avoid forfeiture of any equity interest in USG Corporation. It will be necessary for you to submit your PIKS to Bankers Trust Company for exchange and a Letter of Transmittal is enclosed for that purpose (the Letter of Transmittal also explains how to complete the exchange if you have lost or misplaced your PIK certificates). **Your questions with respect to the Letter of Transmittal or other issues relating to the exchange process should be directed to Bankers Trust Company's toll free number 1-800-735-7777 or its addresses as indicated on the cover of the enclosed Letter of Transmittal.**

In the event you hold any of the USG Corporation old common stock (issued before May 6, 1993), please be aware that it also is subject to the same Expiration Date. A separate letter with a Letter of Transmittal for use in tendering any such stock, for exchange under the terms of the Plan, will be mailed to you concurrently with this letter if the records indicate you hold such common stock.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Dean H. Goossen', written over a horizontal line.

Dean H. Goossen,
Corporate Secretary

Enclosure/Blue Letter of Transmittal