



## THE MARKET

For most people, the American Dream is wrapped up in two words: home ownership. Few companies have as much impact on America's homes as USG, which invented drywall and transformed the nation's construction processes.

Today, the USG name is linked to United States Gypsum Company and USG Interiors, Inc., two of the largest subsidiaries of USG Corporation. The company is a major manufacturer of building materials and the nation's walls and ceilings leader. Through its ownership of L&W Supply Corporation, USG is also one of the largest distributors of gypsum wallboard and building materials.

From major commercial developments to residences to simple home improvement projects, USG products turn vision into reality. In fact, the company estimates that its products are used in the vast majority of all buildings constructed today. Customers include architects, builders, building owners, contractors, do-it-yourselfers, and remodelers.

Look at the building materials section of a warehouse home improvement center. SHEETROCK® Brand Gypsum Panels and many types of SHEETROCK Brand joint treatment products dominate the shelves and offer an option for virtually every situation and preference. FIBEROCK® Brand Panels make up an environmentally friendly gypsum fiber product family that resists both abuse and moisture, and USG ceiling systems, together with DONN® Brand Suspension Systems, comprise the industry's fastest-installing acoustical ceilings.

USG is not only about buildings, though. The market for USG's flagship product — gypsum — is amazingly widespread.

Food and pharmaceutical manufacturers use specially processed, high-purity gypsum to provide a supplemental source of dietary calcium and to improve product texture and whiteness. Gypsum is added to aspirin and other pills and tablets, and is also in calcium-fortified bread and orange juice, as well as dozens of other foods.

Artists and statuary makers use industrial gypsum plasters and



U.S. Gypsum's HYDROCAL® Gypsum Cement to create figurines, decorative statues, and lamp bases. Similarly, industrial manufacturers use gypsum for tooling, modeling, and prototyping applications.

## ACHIEVEMENTS

The company patented the world's first drywall panel — the SHEETROCK Brand panel — in 1917. Following years of refinement, these gypsum panels revolutionized home building techniques during the post-World War II housing boom of the 1940s and 1950s by providing an economical alternative to conventional plaster wall construction.

In 1929, U.S. Gypsum developed the first mineral fiber ceiling tile, ACOUSTONE® Ceiling Panels. During the 1950s, the company introduced SHEETROCK Ready-Mixed Joint Compound, a major innovation that made drywall finishing faster and easier.

In the past fifty years, United States Gypsum Company has extended the use of drywall to commercial construction, creating the first fire-rated gypsum panel (SHEETROCK Brand Gypsum Panels, FIRECODE® Core) and developing the first steel-framed drywall system to meet commercial construction building standards.

U.S. Gypsum created the first gypsum-based cavity shaft wall system, which facilitated the construction of many of the world's tallest buildings, including Chicago's Sears Tower. U.S. Gypsum also pioneered the development of fire-tested wall and ceiling assembly designs, and revolutionized wet-area tile construction through the introduction of DUROCK® Brand Cement Board and related components.



The Mining Safety and Health Administration has named U.S. Gypsum the winner of its "Sentinel of Safety" award fifteen times — more than any other manufacturer. Overall, the company's safety record is double the gypsum industry's average.

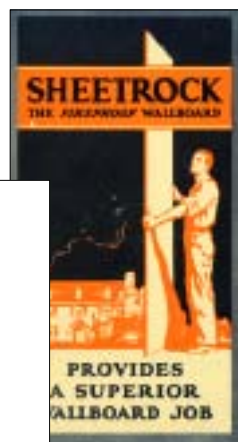
## HISTORY

United States Gypsum Company was established more than a century ago when the owners of eighteen gypsum operations, mostly in the Midwest, combined their resources. U.S. Gypsum was incorporated on December 27, 1901, and began operations on February 1, 1902.

The story actually began more than fifteen years earlier, in 1884, when George Ringland of Fort Dodge, Iowa, invented retarder for gypsum plaster. He discovered that glue added to calcined gypsum (gypsum from which water has been removed) slowed the setting time of the plaster, enabling gypsum to compete with lime-based plaster as a wall coating. The improved product received major attention at Chicago's 1893 Columbian Exposition when it was used to create the ornate facades of the fair's buildings, earning the nickname "White City."

To meet growing demand for gypsum plaster, small calcining mills sprang up near rock supplies across the nation, but competition was fierce and price wars frequent. U.S. Gypsum's founders hoped to beat the competition and earn a profit through economies of scale and investment in research and development. These fiercely independent businessmen exchanged their properties for stock valued at \$7.5 million. They did not contribute any cash, so the fledgling company owned many facilities, but had no money. The company secured a \$200,000 loan in March 1902.

The company's first president was B. W. McCausland, a partner in The Alabaster Company



of Alabaster, Michigan, and South Chicago, Illinois. This business, founded by Michigan lumberman Waldo Avery, had supplied the gypsum for the Columbian Exposition. McCausland's main accomplishment was bringing twenty additional plants into the company in its first year.

The company was a success from the start. As planned, U.S. Gypsum invested its profits in research and development, and its first new product came to market quickly: PYROBAR® Gypsum Partition Tile, introduced in 1903. This fire-resistant building block was used in non-load-bearing walls. Fire resistance has been a selling point of the company's products ever since.

### THE PRODUCT

It's in the walls and ceilings of most homes, and maybe beneath the floors. Aside from being surrounded by it, most people even ingest a little of it every day.

Relax. It's just gypsum — one of the most amazing, versatile, and useful minerals in the world. That a rock formed beneath the earth's surface some 140 million years ago is now being used in so many divergent applications is truly amazing.

The use of gypsum as a building material dates back about five thousand years, to the ancient Egyptians. The walls of Pharaoh Cheops's tomb within Egypt's largest pyramid were covered with gypsum plaster.

The Egyptians were among the first to discover gypsum's unique working properties. They learned that when a gypsum rock is crushed and then heated, most of the water present in the mineral is released as steam. The resulting material, now called "stucco," can be easily restored to its original state by simply re-adding water. As water is added to the stucco powder, a "slurry" is formed that can be molded into virtually any shape before the material hardens back into a rocklike state.

Taking advantage of this unique feature, the Egyptians applied gypsum slurry — or plaster — over the stone walls of the pyramids to smooth interior surfaces and create a mortar to seal cracks and holes. In subsequent centuries, gypsum plaster was used to create architectural detailings, statuary, and artwork, although its use as a building material was limited.

In the United States, gypsum wasn't used until 1785, when Ben Franklin "discovered" gypsum while traveling in France. The American statesman was fascinated with the material, then known as "Plaster of Paris." He introduced the product to the United States, noting its usefulness in casting and soil nutrition.

Even with all these applications, gypsum supplies remain plentiful. The mineral is neither rare



nor endangered. Furthermore, the gypsum board manufacturing process is extremely efficient. Approximately 95 percent of the raw materials entering a gypsum board manufacturing plant leave as finished product.

### RECENT DEVELOPMENTS

U.S. Gypsum Company and USG Interiors continue to push the innovation envelope. Following years of development, U.S. Gypsum has expanded its FIBEROCK Brand panels family to include a variety of wall, sheathing, and underlayment products. The company has also recently introduced a line of high-performance gypsum underlayments under the LEVELROCK® Brand name and developed a liquefied form of gypsum for use where powdered formulations are impractical.

During 2003, U.S. Gypsum Company developed two revolutionary moisture- and mold-resistant interior panels. Featuring a proprietary technology, SHEETROCK Brand HUMITEK™ Gypsum Panels were the industry's first gypsum

panel that could be installed and finished in a traditional manner without skim coating or other extra labor. In addition, the company launched FIBEROCK Brand AQUA-TOUGH™ Interior Panels, an abuse-resistant panel that provides water resistance through its core.

USG Interiors continues to generate accolades — and awards — for its revolutionary ceiling designs. Over the past few years, curved ceiling systems have become more prevalent in a wide variety of

commercial buildings. USG Interiors is leading the way with products such as the CURVATURA™ 3-D System, GEOMETRIX™ Metal Ceiling Panels, and the TOPO™ 3-Dimensional System.

### PROMOTION

United States Gypsum Company celebrated its one hundredth anniversary on May 24, 2002. To mark the occasion, U.S. Gypsum Company plants, distribution facilities, and offices, along with the other subsidiaries of USG Corporation, hosted special events for employees, retirees, and customers. In Chicago, a portion of Franklin Street

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near the company's headquarters building was renamed "USG Way" by proclamation of the Chicago City Council.

"This is truly a special day for United States Gypsum Company," said William C. Foote, chairman, president, and chief executive officer of USG Corporation. "Not too many businesses are successful enough to last for 100 years . . . and those that do invariably excel in product innovation, quality, and customer service. U.S. Gypsum Company is certainly a leader in all those areas."

### BRAND VALUES

In honor of its centennial, USG published a special edition of its employee publication, *Looking Ahead*. The heads on the pages of that volume underscore the USG brand's focus:

- Responsibility
- Integrity
- Safety
- Relationships with employees
- Relationships with customers
- Innovation
- Opportunity
- Pride in the company
- Leadership
- Staying power

The company has relied on these fundamental values for its first hundred years and plans to weave them into the company's fabric for the next hundred years.



### THINGS YOU DIDN'T KNOW ABOUT USG

- Since 1917, U.S. Gypsum Company has manufactured more than 9 billion 1/2"-thick, 4-by-8' SHEETROCK Brand Gypsum Panels. Stacked vertically, these panels would form a tower more than 71,000 miles high.
- Gypsum is a naturally occurring rock made of calcium sulfate and water. Geologists call it hydrous calcium sulfate, or  $\text{CaSO}_4 \cdot 2\text{H}_2\text{O}$ .
- Early USG transport ships offered passenger sailings. The *Gypsum King*, the *Gypsum Empress*, and the *Gypsum Prince* were equipped to handle about a dozen passengers who, for \$45 each, could book round-trip passage between Windsor, Nova Scotia, and New York. The fare included a state-room and meals.
- Remember the snow scene in the movie, *It's a Wonderful Life*? Those artificial snowflakes were — you guessed it — gypsum.
- Over a lifetime, the average person consumes approximately 28 pounds of gypsum — little by little.