

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
 For the Fiscal Year Ended September 30, 1994
 OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
 Commission File Number 1-2918

ASHLAND OIL, INC.
 (Exact name of registrant as specified in its charter)

Kentucky 61-0122250
 (State or other jurisdiction of (I.R.S. Employer
 incorporation or organization) Identification No.)

1000 Ashland Drive, Russell, Kentucky 41169
 (Address of principal executive offices) (Zip Code)

P.O. Box 391, Ashland, Kentucky 41114
 (Mailing Address) (Zip Code)

Registrant's telephone number, including area code (606) 329-3333
 Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	New York Stock Exchange and Chicago Stock Exchange
Rights to Purchase Cumulative Preferred Stock, Series of 1987	New York Stock Exchange and Chicago Stock Exchange
\$3.125 Cumulative Convertible Preferred Stock	New York Stock Exchange
6 3/4% Convertible Subordinated Debentures, due 2014	New York Stock Exchange

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

At October 31, 1994, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$1,865,040,000 (which amount does not include \$483,909,000 held by nominees of Society National Bank as Trustee for certain of Registrant's employee benefit plans) based on the New York Stock

Exchange closing price on October 31, 1994.

At October 31, 1994, there were 60,656,088 shares of Registrant's Common Stock outstanding. One-half of one Right to purchase one-tenth of a share of Cumulative Preferred Stock, Series of 1987, accompanies each outstanding share of Registrant's Common Stock.

Documents Incorporated by Reference

Portions of Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1994 are incorporated by reference into Parts I and II.

Portions of Registrant's definitive Proxy Statement for its January 26, 1995 Annual Meeting of Shareholders are incorporated by reference into Part III.

TABLE OF CONTENTS

	Page
PART I	
Item 1. Business	1
Corporate Developments	1
Petroleum	2
SuperAmerica	6
Valvoline	6
Chemical	8
Construction	9
Exploration	10
Coal	13
Other Business	16
Miscellaneous	16

	Item 2.	Properties	19
	Item 3.	Legal Proceedings	19
	Item 4.	Submission of Matters to a Vote of Security Holders	20
	Item X.	Executive Officers of Ashland	20
PART	II		
	Item 5.	Market for Registrant's Common Stock and Related Security Holder Matters	21
	Item 6.	Selected Financial Data	22
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
	Item 8.	Financial Statements and Supplementary Data	22
	Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	22
PART	III		
	Item 10.	Directors and Executive Officers of the Registrant.	22
	Item 11.	Executive Compensation	22
	Item 12.	Security Ownership of Certain Beneficial Owners and Management	22
	Item 13.	Certain Relationships and Related Transactions	22
PART	IV		
	Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	22

PART I

ITEM 1. BUSINESS

Ashland Oil, Inc. is a Kentucky corporation, organized on October 22, 1936, with its principal executive offices located at 1000 Ashland Drive, Russell, Kentucky 41169 (Mailing Address: P.O. Box 391, Ashland, Kentucky 41114) (Telephone: (606) 329-3333). The terms "Ashland" and the "Company" as used herein include Ashland Oil, Inc. and its consolidated subsidiaries, except where the context indicates otherwise.

Ashland's businesses are grouped into six industry segments: Petroleum, SuperAmerica, Valvoline, Chemical, Construction, and Exploration. Financial information about these segments for the five fiscal years ended September 30, 1994, is set forth on Pages 58 and 59 of Ashland's Annual Report to Shareholders for the fiscal year ended September 30, 1994 ("Annual Report"). In addition, Ashland is also involved in the coal industry through its 50% ownership of Arch Mineral Corporation ("Arch") and its 39% ownership of Ashland Coal, Inc. ("Ashland Coal"). Summarized financial information for these entities is contained in Note D of Notes to Consolidated Financial Statements in Ashland's Annual Report.

Ashland Petroleum is one of the nation's largest independent petroleum refiners and a leading supplier of petroleum products to the transportation and commercial fleet industries, other industrial customers and independent marketers, and to SuperAmerica for retail distribution. In addition, Ashland Petroleum gathers and transports crude oil and petroleum products and distributes petroleum products under the Ashland-R- brand name. SuperAmerica operates combination gasoline and merchandise stores under the SuperAmerica-R- and Rich-R- brand names. Valvoline is a marketer of branded, packaged motor oil and automotive chemicals, filters, rust preventives and coolants. In addition, Valvoline is engaged in the "fast oil change" business through outlets operating under the Valvoline Instant Oil Change-R- and Valvoline Rapid Oil Change-R- names.

Ashland Chemical distributes industrial chemicals, solvents, thermoplastics and resins, and fiberglass materials, and manufactures a wide variety of specialty chemicals and certain petrochemicals. Construction performs contract construction work, including highway paving and repair, excavation and grading, and bridge and sewer construction and produces asphaltic and ready-mix concrete, crushed stone and other aggregate, concrete block and certain specialized construction materials in the southern United States. Exploration explores for, develops, produces and sells crude oil and natural gas principally in the eastern and Gulf Coast areas of the United States, explores for and produces crude oil in Nigeria for export and explores for oil and gas in other international areas.

Arch, one of the largest producers of low sulfur coal in the eastern United States, produces steam and metallurgical coal for sale in the domestic and international markets. Arch's production comes from surface and deep mines in Illinois, Kentucky, West Virginia and Wyoming. Ashland Coal produces low-sulfur, bituminous coal in central Appalachia for sale to domestic and foreign electric utility and industrial customers. Both Arch and Ashland Coal market coal mined by independent producers.

At September 30, 1994, Ashland and its consolidated subsidiaries had approximately 31,600 employees (excluding contract employees).

CORPORATE DEVELOPMENTS

Ashland recently announced that it has signed an agreement with Saarbergwerke AG ("Saarberg") granting Ashland the option to purchase all of the 150 shares of Ashland Coal Class B Preferred Stock held by Saarberg, and granting Saarberg the option to require Ashland to purchase such stock. These options are exercisable during certain periods in February, 1995, and are subject to the satisfaction of certain conditions, including appropriate government approvals. The Preferred Stock represents approximately 15% of the voting power of Ashland Coal and if either option is exercised, Ashland will own approximately 54% of the voting stock of Ashland Coal. Ashland currently has no plans to purchase additional stock of Ashland Coal, other than the Class B Preferred Stock.

On November 3, 1994, the Board of Directors of Ashland voted, subject to shareholder approval at the 1995 Annual Meeting of Shareholders, to amend the Company's Second Restated Articles of Incorporation to change the name of the Company to Ashland Inc. This change of name is believed by the Board of Directors to be desirable and in the best interests of Ashland in order to identify Ashland in a manner that more clearly reflects its unified network of refining, energy and chemical businesses and yet retains the historical name of Ashland.

On November 3, 1994, Ashland's Board of Directors approved the filing with the Securities and Exchange Commission (the "SEC") of a universal shelf registration statement to allow for offerings from time to time of up to an aggregate of \$600 million in debt and/or equity securities. It is anticipated this filing will be made in late December 1994. Any offering of these securities will be made only by means of a written prospectus.

In November 1994, Ashland Chemical signed a letter of intent with Aristech Chemical Corporation to acquire Aristech's unsaturated polyester resins, polyester distribution and maleic anhydride businesses. The transaction is subject to a number of conditions, including the execution and delivery of a definitive purchase agreement and appropriate governmental approvals.

In February 1994, Ashland completed the sale of APAC-Arizona, Inc., its Arizona highway construction and construction materials business. The transaction completed Ashland's previously announced asset divestiture program.

In November 1993, Ashland filed with the SEC a shelf registration statement to allow for offerings from time to time of up to an aggregate of \$250 million in medium-term notes. Ashland had previously filed shelf registration statements for \$750 million in medium-term notes. As of November 15, 1994, Ashland had sold \$826 million in medium-term notes. The remaining \$174 million in notes may be sold from time to time as separate series of senior debt in amounts and at prices and terms to be determined at the time of sale. The net proceeds of the offerings will be used to refinance outstanding debt and for other general corporate purposes.

PETROLEUM

Ashland Petroleum, a division of Ashland, has responsibility for the operation of Ashland's refineries, the supply and transportation of Ashland's crude oil requirements, the transportation and storage of refined petroleum products and the marketing of a portion of the refined petroleum products.

PETROLEUM REFINING

Ashland Petroleum owns and operates three refineries located in Catlettsburg, Kentucky; St. Paul Park, Minnesota; and Canton, Ohio. The approximate capacities of these refineries at September 30, 1994, were as follows:

Location of Refinery	Crude Oil Capacity (In thousands of barrels per calendar day)*
-----	-----
Catlettsburg, Kentucky	213.4
St. Paul Park, Minnesota	67.1
Canton, Ohio	66.0

Total	346.5
	=====

*The term "barrels" when used herein means barrels of 42 gallons each.

Ashland Petroleum's refineries are equipped with efficient facilities, including crude oil atmospheric and vacuum distillation, fluid catalytic cracking, catalytic reforming, desulfurization and sulfur recovery units. Each of these refineries has the capability to process a wide variety of crude oils, including low quality/low price crude oils (i.e., high in residuum and sulfur contents), and to produce normal refinery products, including asphalt. With the assistance of a 3,000 barrel-per-day MTBE unit and a partial ownership in an ethanol plant, Ashland Petroleum is also able to cost effectively produce reformulated gasoline. In addition, the Catlettsburg refinery is equipped to manufacture lubricating oils and a wide range of petrochemicals.

The table below shows the average daily number of barrels of crude oil and other feedstocks processed and the refined products produced by Ashland Petroleum for the three fiscal years ended September 30, 1994:

	Years Ended September 30		
	1994	1993	1992

Total Input (In thousands of barrels per day)			

Crude Oil	329.2	326.0	327.1
Other Feedstocks	12.6	13.7	14.2
Refinery Products Produced (In thousands of barrels per day)			

Gasoline	168.0	166.8	169.9
Distillates and Kerosene	90.6	88.6	84.2
Asphalt	29.3	27.4	25.5
Jet and Turbine Fuel	10.9	12.2	14.0
Heavy Fuel Oils	7.7	9.0	10.6
Lubricants	7.6	7.6	7.1
Other	16.8	17.0	20.1

CRUDE OIL SUPPLY

The crude oil processed in Ashland Petroleum's refineries is obtained from negotiated lease, contract and spot purchases or exchanges. During fiscal 1994, Ashland Petroleum's negotiated lease, contract and spot purchases of United States crude oil for refinery input (including 111,100 barrels per day acquired through Ashland's Scurlock Permian subsidiary) averaged 115,200 barrels per day. Purchases from Canada averaged 57,500 barrels per day during fiscal 1994. The balance of Ashland Petroleum's crude oil requirements during fiscal 1994 were met largely through purchases from various foreign national oil companies and traders. Purchases of foreign crude oil (including Canada) represented 65% of Ashland Petroleum's crude oil requirements during fiscal 1994 compared to 58% during fiscal 1993.

Ashland's share of Nigerian production will either be sold, traded or used to help satisfy part of Ashland Petroleum's fiscal 1995 crude oil requirements, depending upon world crude oil prices and other economic factors. For further information concerning Nigerian production, see "Exploration-International Operations." The balance of Ashland Petroleum's crude oil requirements in fiscal 1995 is expected to be met through contract and spot purchases from United States independent producers and from various foreign national oil companies and traders as worldwide availability and prices dictate.

For further information concerning crude oil prices and imports, see "Miscellaneous-Governmental Regulation and Action-General."

MARKETING OF PETROLEUM AND OTHER PRODUCTS

Ashland Petroleum's principal marketing area for gasoline and fuel oils includes the Ohio River Valley, the upper Midwest, the upper Great Plains, the East Coast, and a portion of the southeastern United States. In addition to gasoline and fuel oils, Ashland also manufactures and markets liquified petroleum gas, asphalt and asphaltic products, pitch, base lube stocks, kerosene, petrochemicals, jet fuels, and residual fuels.

Ashland Petroleum's production of gasoline, kerosene, and light fuel oils is sold at wholesale through wholesale channels of distribution, company owned and exchange terminals, Ashland branded bulk plants and at retail through SuperAmerica. The majority of these products are sold at wholesale through approximately 90 terminal areas in 23 states. Gasoline is sold at wholesale primarily to independent marketers, jobbers, and chain retailers who resell through several thousand retail outlets primarily under their own names, but also to a limited extent under the Ashland-R-brand name. Gasoline, kerosene, distillates, and aviation products are also sold to utilities, railroads, river towing companies, commercial fleet operators, aviation and airline companies, governmental agencies and other end users.

Ashland Petroleum also markets petroleum products under the Ashland-R- brand name through a network of 112 (99 owned and 13 leased) bulk plants located in six states. These plants maintain inventories of gasoline, distillate, kerosene, motor oils, greases and other related products. Approximately 122 commission agents deliver products to Ashland customers from these plants, as well as from terminals or refineries operated by Ashland. Typical customers include reseller retail outlets, lessee-dealer retail outlets and numerous consumer, commercial and farm accounts. Ashland supplies 100 (88 owned and 12 leased) Ashland-R- brand lessee-dealers and 639 reseller outlets. Resellers generally own their locations and Ashland supplies pumps and signs for their use. Lessee-dealer outlets are owned or leased by Ashland and leased or subleased to the dealer. For further information on Ashland's retail marketing of petroleum products, see "SuperAmerica" and "Valvoline."

In addition to providing crude oil for its own refineries, Ashland Petroleum, through its Scurlock Permian subsidiary, is actively engaged in purchasing, selling and trading crude oil in 15 states, principally at Midland, Texas; Cushing, Oklahoma; and St. James, Louisiana, three of the major distribution points for United States crude oil.

Ashland Petroleum also produces and markets asphalt cements, polymerized asphalt, asphalt emulsions, and industrial asphalts in the United States. Ashland Petroleum markets these products from 24 locations to 22 southern and midwestern states. Additionally, Ashland Petroleum manufactures petroleum pitch, primarily used in the graphite electrode, clay target and refractory industries.

Ashland Petroleum produces residual fuels at its three refineries and markets and sells these products in nine states, primarily to industrial customers as boiler fuel.

The table below shows the average daily consolidated sales of petroleum products and crude oil by Ashland Petroleum, SuperAmerica, Valvoline and Exploration for the three fiscal years ended September 30:

	Years Ended September 30		
	1994	1993	1992
Gasoline	181.9	182.1	186.5
Crude Oil	142.1	150.3	152.3
Distillates and Kerosene	97.0	93.0	87.0
Asphalt	34.3	31.4	30.5
Jet and Turbine Fuel	10.9	11.2	13.6
Heavy Fuel Oils	8.4	9.7	11.1
Lubricants	14.7	15.6	15.8
Other	23.3	21.3	23.5

Sales of gasoline (excluding excise taxes) represented approximately 18%, 20% and 21% of Ashland's consolidated sales and operating revenues (excluding excise taxes) in fiscal years 1994, 1993 and 1992, respectively. Sales of crude oil represented approximately 8%, 10% and 11% of Ashland's consolidated sales and operating revenues (excluding excise taxes) in fiscal years 1994, 1993 and 1992, respectively.

TRANSPORTATION

Ashland owns, leases, or has an ownership interest in 5,759 miles of active pipeline in 13 states. This network transports crude oil and refined products to and from terminals, refineries and other pipelines. This includes 2,256 miles of crude oil gathering lines, 2,987 miles of crude oil trunk lines, 475 miles of refined product lines and 41 miles of natural gas liquid lines.

Ashland has an 18.6% stock ownership interest in LOOP INC. ("LOOP"), the only U.S. deep water port facility capable of receiving crude oil from very large crude carriers and which has a capacity to off-load 1,000,000 to 1,200,000 barrels per day. Ashland also has a 21.4% stock ownership interest in LOCAP INC. ("LOCAP") which has a capacity of 1,200,000 barrels per day and a 21.6% undivided ownership interest in the Capline Pipeline System which has a nominal capacity of 1,175,000 barrels per day. LOCAP owns a pipeline connecting LOOP and the Capline System that originates at St. James, Louisiana. These port and pipeline systems provide Ashland Petroleum with access to common carrier transportation from the Louisiana Gulf Coast to Patoka, Illinois. At Patoka, the Capline System connects with other common carrier pipelines owned or leased by Ashland which provide transportation to Ashland Petroleum's refineries in Kentucky and Ohio. For summarized financial statements and information with respect to advances and transportation payments made by Ashland to LOOP and LOCAP, see Notes D and G of Notes to Consolidated Financial Statements in Ashland's Annual Report.

In addition, Ashland owns a 5% undivided ownership interest in the Rancho Pipe Line System located in Texas and a 33% stock interest in the Minnesota Pipe Line Company, which owns a crude oil pipeline in Minnesota. Minnesota Pipe Line Company provides Ashland Petroleum with access to 270,000 barrels per day of crude oil common carrier transportation from Clearbrook, Minnesota to Cottage Grove, Minnesota, which is in the vicinity of Ashland Petroleum's St. Paul Park, Minnesota refinery.

Ashland Petroleum owns or has an interest in 38 terminal facilities from which it sells a wide range of petroleum products. These facilities are supplied by a combination of river barge, pipeline, truck and rail. Ashland Petroleum also owns or operates a number of other terminals that are used in connection with the transportation of petroleum products or crude oil.

Ashland Petroleum's river transportation operations include 8 towboats (6 owned, 2 leased) and 171 barges that transport crude oil and refined products on the Ohio, Mississippi and Illinois rivers, their tributaries, and the Intracoastal Waterway.

Ashland Petroleum leases on a long-term basis two 80,000 ton deadweight tankers which are normally used for third party delivery of foreign crude oil to the United States. Additional requirements are met by chartering tankers for individual voyages.

Ashland Petroleum leases rail cars in various sizes and capacities for movement of petroleum products and chemicals. Ashland Petroleum also owns a large number of tractor-trailers, additional trailers, and a large fleet of tank trucks and general service trucks.

OTHER MATTERS

For information on federal, state and local statutes and regulations relating to releases into the environment or protection of the environment, see "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

For information relating to certain environmental litigation, see "Legal Proceedings-Environmental Proceedings."

There are traditional seasonal variations in Ashland Petroleum's sales and operating results. The seasonality that Ashland Petroleum experiences is due primarily to increased demand for gasoline during the summer driving season and increased demand for asphalt from the road paving industry during the last six months of Ashland's fiscal year. The refining industry experiences a similar seasonality. For Ashland's fiscal years 1992 to 1994, refining margins for Ashland Petroleum have averaged \$3.86 per barrel for the six-month periods ended March 31 and \$4.12 per barrel for the six-month periods ended September 30.

SUPERAMERICA

SuperAmerica Group, a division of Ashland, conducts retail petroleum marketing operations. SuperAmerica has retail outlets in 11 states in the Ohio Valley and Upper Midwest under the SuperAmerica-R- and Rich-R- names. See also "Petroleum-Marketing of Petroleum and Other Products."

SuperAmerica-R- Stores - SuperAmerica operates 598 (538 owned and 60 leased) combination gasoline and merchandise stores in 11 states under the SuperAmerica-R- name. These stores are designed for high volume sales. SuperAmerica stores offer consumers gasoline, diesel fuel at select locations and a broad mix of other goods and services such as fresh-baked goods, automated teller machines, video rentals, automotive accessories and a line of private-label items. SuperAmerica is also adding to its one-stop shopping concept by partnering with fast food chains including Taco Bell and Subway. During fiscal 1994, 40% of the revenues of the SuperAmerica stores were derived from the sale of merchandise and 60% of such revenues were derived from the sale of gasoline and diesel fuel.

The SuperAmerica-R- trademark has been registered since 1963. Other registered trademarks and servicemarks owned by Ashland and used by SuperAmerica include SuperMom's-R-, The Fresh Choice-TM- and SuperSoda-R-, used in connection with food products; Injector Guard-R-, used in connection with gasoline additives; The Express Pump-R-, used in conjunction with gasoline dispensing equipment; SuperCare-R-, used in connection with pharmacy services, personal care and beauty products; and Yours-R- and Sincerely Yours-R-, used in connection with cigarettes.

SuperAmerica operates warehouse distribution centers in Bloomington, Minnesota, and Ashland, Kentucky, that distribute certain merchandise to the stores. SuperAmerica also operates a commissary in Russell, Kentucky, that produces fresh sandwiches, salads and other food products for distribution to stores in the Ohio Valley. A wholly-owned subsidiary of SuperAmerica also operates a large bakery and commissary in St. Paul Park, Minnesota, under the name SuperMom's-R-.

In addition to the 598 owned and leased SuperAmerica stores, SuperAmerica has 28 jobber/franchisees who operate 37 stores in 3 states in the upper Midwest.

Rich-R- Oil - Rich Oil, a division of Ashland, operates 95 (76 owned and 19 leased) Rich-R- retail gasoline outlets in Kentucky, Ohio and West Virginia under the Rich-R- name. The Rich Oil outlets generate lower gasoline volumes than the average SuperAmerica store, primarily because the Rich Oil outlets are generally smaller and located in less-densely-populated areas.

OTHER MATTERS

Retail marketing "divorcement" legislation and wholesale and retail pricing regulations have been adopted in some states. They are proposed from time to time in other states and at the federal level. If such legislation were adopted at the federal level or in the states where SuperAmerica sells petroleum products, it could have a substantial adverse impact.

For information relating to the regulation of underground storage tanks containing petroleum products, see "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

VALVOLINE

The Valvoline Company, a division of Ashland, is a marketer of automotive and industrial oils, automotive chemicals, and automotive and environmental services, with sales in more than 140 countries. See also "Petroleum-Marketing of Petroleum and Other Products." Acquired by Ashland in 1950, Valvoline has diversified its operations in recent years and is comprised of the following business units:

Valvoline Branded - Branded is Valvoline's largest business unit, representing 47% of Valvoline's annual sales dollars. Branded markets motor oils, greases, gear oils, automatic transmission fluids, antifreeze and oil and air filters primarily to the U.S. private passenger car and light truck market through a network of distributors, retailers and direct market operations. Valvoline is also one of the leading producers of packaged private label

motor oils in the United States. The Branded Commercial Fleet Sales division markets heavy-duty lubricants to the railroad, trucking, mining and marine industries.

Although competition is severe, Branded plans to improve market share through a customer-focused strategy, involvement in motorsports and a marketing campaign stressing high performance, quality and value.

Branded plants are supplied with base stocks primarily from Ashland's 8,500 barrels-per-day lube oil refinery in Catlettsburg, Kentucky.

Ecogard, Inc. - As of September 30, 1994, Ecogard, Inc. through its First Recovery division, was collecting used motor oil at an annual rate of 35 million gallons from a network of automotive aftermarket retailers and service businesses in 41 states. Utilizing a "total fluid management" approach, First Recovery provides an environmental service to Branded customers, collecting used antifreeze and oil filters as well. In fiscal 1995, First Recovery will transport most of its collected used oil volume to a new industrial fuel processing plant owned and operated by Texaco Inc. near New Orleans, Louisiana.

Valvoline Instant Oil Change ("VIOC") - VIOC, a division of Ashland, is one of the largest companies in the expanding U.S. "fast oil change" service business, providing Valvoline with a significant share of the installed segment of the passenger car and light truck motor oil market. Incorporation of the Valvoline name and trademark in VIOC's name, store signage and advertising provides an ongoing Valvoline presence in the communities in which VIOC stores are located. As of September 30, 1994, 347 company-owned service centers were open in 13 states: Georgia, Illinois, Indiana, Kentucky, Michigan, Minnesota, Mississippi, Missouri, New York, Ohio, Pennsylvania, Tennessee and Wisconsin. Stores in Minnesota operate as Valvoline Rapid Oil Change-R-.

Valvoline Instant Oil Change Franchising, Inc. - Valvoline Instant Oil Change Franchising, Inc., a subsidiary of Ashland, began selling franchises in 1988 to accelerate Valvoline's growth in the fast oil-change business. As of September 30, 1994, 137 franchised units (75 of which are in operation) had been sold in 15 states: California, Connecticut, Delaware, Florida, Georgia, Kentucky, Maryland, Massachusetts, Minnesota, Nebraska, New Mexico, North Carolina, Pennsylvania, Rhode Island and Texas. A franchise has also been sold in Puerto Rico. All company-owned and franchised centers collect used motor oil from do-it-yourselfers as an environmental service.

Car Care Products Group - In late 1994, Valvoline established a new Car Care Products Group to manage its growing portfolio of consumer automotive chemical brands. Valvoline acquired the Zerex-R- antifreeze brand and a long-term antifreeze feedstock supply agreement from the BASF Corp. in October 1994. Zerex joined Pyroil, NAPA and Valvoline's other various private label brands of automotive chemicals to form the Car Care Products Group. Pyroil is a major U.S. packager and marketer of refrigerants to the automotive aftermarket and is increasing its sales of consumer and professional automotive chemicals. Although refrigerants containing chlorofluorocarbons will be phased out of production by the end of 1995, Pyroil is actively supporting an industry transition to ozone-safe refrigerants. An exclusive agreement provides Pyroil with an assured supply of new-generation DuPont SUVA-R- refrigerants.

Valvoline International, Inc. - Valvoline International, Inc., a subsidiary of Ashland, markets Valvoline branded products and TECTYL-R- Rust Preventives worldwide and operates company-owned affiliates in Australia, Canada, Denmark, Great Britain, the Netherlands, Sweden, Germany, Switzerland, Austria, France, Italy and Belgium. Licensees and distributors market products in other parts of Europe, Central and South America, the Far East, the Middle East and in certain African countries. Packaging and blending plants and distribution centers in Australia, Canada, Denmark, Sweden, Great Britain, the Netherlands and the United States supply international customers. Through a joint-venture with The Western India Group, Valvoline will construct a blending and packaging plant in India in 1995 to supply that market.

Lube Refinery Sales - Valvoline's Lube Refinery Sales division sells excess base stock production from the Catlettsburg, Kentucky lube refinery to other U.S. motor oil and industrial oil marketers as well as to fuel and lube additive companies in the United States. It also markets Slack Wax, a lube byproduct, through a network of re-sellers and to other refiners for further processing. The division is also engaged in private label blending and packaging for other North American refiners. See "Petroleum-Petroleum Refining."

The Valvoline-R- trademark was federally registered in 1873 and is the oldest trademark for a lubricating oil in the United States. Other important trademarks include Valvoline Instant Oil Change-R-, TECTYL-R-, Pyroil-R- and Zerex-R-.

CHEMICAL

Ashland Chemical Company, a division of Ashland, is engaged in the manufacture, distribution and sale of a wide variety of chemical and plastic products. Ashland Chemical owns or leases 42 manufacturing facilities in 10 states and 17 foreign countries and owns or leases 102 distribution facilities in 34 states and 12 foreign countries.

Ashland Chemical is comprised of the following operations:

DISTRIBUTION

Industrial Chemicals & Solvents ("IC&S") Division - IC&S markets chemical products and solvents to industrial chemical users in major markets through distribution centers in the United States, Canada and Puerto Rico. The division distributes approximately 3,500 chemical products made by many of the nation's leading chemical manufacturers, a growing number of off-shore producers, plus petrochemicals from Ashland's refineries. The division specializes in supplying mixed truckloads and less-than-truckload quantities to the paint and coatings, industrial and institutional compounding, automotive, appliance, paper and many other industries. In addition, the division distributes cosmetic and pharmaceutical specialty chemicals and food-grade additives and ingredients. The division also offers customers environmental services, working in cooperation with major chemical waste disposal companies.

FRP Supply Division - This division markets to customers in the reinforced plastics and cultured marble industries mixed truckload and less-than-truckload quantities of polyester resins, fiberglass and other specialty reinforcements, catalyst and allied products from more than 50 distribution locations across the United States and Mexico.

General Polymers Division - This division markets a broad range of thermoplastic injection molding and extrusion materials to processors in the plastics industry through distribution locations in the United States, Canada, Mexico and Puerto Rico. The division also provides plastic material transfer and packaging services. The division represents 22 major plastics producers, with emphasis on serving customers with mixed truckload and less-than-truckload quantities of packaged thermoplastics. The basic resins business unit markets packaged and bulk thermoplastic resins to a variety of processors in North America.

Ashland Plastics International - This business unit markets a broad range of thermoplastics to processors outside North America. Ashland Plastics has distribution centers located in Australia, Belgium, France, Holland, Ireland, Italy, New Zealand, and the United Kingdom and exports to Latin America from the United States.

SPECIALTY CHEMICALS

Composite Polymers Division - This division manufactures and sells a broad range of chemical-resistant, fire-retardant and general-purpose grades of unsaturated polyester and vinyl ester resins for the reinforced plastics industry. Key markets include the automotive, construction and marine industries. The division has manufacturing plants in Los Angeles, California; Bartow, Florida; Ashtabula, Ohio; and Philadelphia, Pennsylvania.

Specialty Polymers & Adhesives Division - This division manufactures and sells specialty liquid AROFENE-R- phenolic resins and AROTAP-R- phenolic resins for paper impregnation and friction material bonding; AROSET-R- acrylic polymers for pressure sensitive adhesives; ISOSET-R- emulsion polymer isocyanate adhesives for structural wood bonding; PLIOGRIP-R- polyurethane and epoxy structural adhesives for bonding fiberglass reinforced plastics, composites, thermoplastics and metals in automotive, recreational, and industrial applications; EMAWELD-R- induction bonding systems for thermoplastic materials; PLIOBOND-R- and PLIOSEAL-R- elastomeric polymer adhesives for commercial roofing applications; PLIOSEAL-TM- butyl rubber roofing tapes; and VPC-R- vapor curing, high-performance urethane coatings systems. The division has manufacturing plants in Calumet City, Illinois; Norwood, New Jersey; and Ashland, Ohio.

Drew Ameroid Marine Division - This division supplies specialty chemicals for water and fuel treatment and general maintenance as well as refrigeration services, sealing products and welding and refrigerant products to the world's merchant marine fleet. Drew Ameroid Marine currently provides shipboard technical service for more than 15,000 vessels from 140 locations serving 800 ports throughout the world.

Electronic Chemicals Division - This division manufactures and sells a variety of ultra high-purity chemicals for the worldwide semiconductor manufacturing industry through various manufacturing locations. The division also custom blends and packages high-purity liquid chemicals to customer specifications. The division has manufacturing plants in Newark, California; Milan, Italy; Easton, Pennsylvania; and Dallas, Texas. The division also enters into long-term agreements to provide complete chemical management services, including purchasing, warehousing and delivering chemicals for in-plant use, for major facilities of large consumers of high-purity chemicals.

Foundry Products Division - This division manufactures and sells foundry chemicals worldwide, including a complete line of foundry binders, core and mold coatings, sand additives, mold releases, core pastes, and other specialties. The division has two domestic manufacturing plants located in Cleveland, Ohio. Eighteen foreign subsidiaries and affiliates manufacture and/or market foundry and other chemicals. The division has a metals applications laboratory as part of the company's technical center, which is used for test castings and mold and core material testing.

Drew Industrial Division - This division supplies specialized chemicals and consulting services for the treatment of boiler water, cooling water, steam, fuel and waste streams. The division also supplies process chemicals and technical services to the pulp and paper and mining industries. It also supplies additives used in the manufacture of latex and paints. This division conducts operations throughout North America, Europe and the Far East through subsidiaries, joint venture companies and distributors. The division has manufacturing plants in Kansas City, Kansas; Kearny, New Jersey; Houston, Texas; Ajax, Ontario, Canada; and Singapore.

PETROCHEMICALS

Petrochemical Division - This division markets aromatic hydrocarbons, principally cumene, toluene, xylene, and aromatic and aliphatic solvents and propylene manufactured at facilities located at the Catlettsburg, Kentucky refinery. The division manufactures maleic anhydride at Neal, West Virginia, and methanol near Plaquemine, Louisiana.

OTHER MATTERS

Melamine Chemicals, Inc. ("MCI") - Ashland owns 23% of the outstanding common stock of MCI, a publicly owned company (NASDAQ:MTWO). MCI produces melamine at its Donaldsonville, Louisiana plant and sells it to customers throughout the world. Melamine is a specialty chemical having numerous industrial and commercial applications.

For information relating to the reauthorization of the Superfund Reauthorization Act of 1986 and the Resource Conservation and Recovery Act, see "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

CONSTRUCTION

Ashland's construction operations are conducted primarily by the APAC group of companies which are located in 13 southern states. APAC is a major provider of publicly funded highway construction services, privately financed construction projects, and construction materials. As prime contractor, subcontractor or joint venture partner, APAC performs such construction work as paving, repair and resurfacing of highways, urban streets, roadways, bus lanes, airports, residential developments, shopping centers, other commercial parking areas, sidewalks, and driveways; excavation; grading and base work; and certain other activities in the construction of bridges and structures, sanitary sewers, drainage facilities and underground utilities. APAC also produces and sells construction materials such as asphaltic and ready-mix concrete, crushed stone and other aggregate, and in certain markets, concrete block and specialized construction materials, such as architectural block.

To deliver its services and products, APAC utilizes extensive aggregate-producing properties and construction equipment. It currently has 15 permanent operating quarry locations, 31 other aggregate production facilities, 38 ready-mix concrete plants, 144 hot-mix asphalt plants, and a fleet of over 8,000 mobile equipment units, including heavy construction equipment and transportation-related equipment.

Raw aggregate generally consists of sand, gravel, granite, limestone and sandstone. About 36% of the raw aggregate produced by APAC is used in the performance of APAC's own contract construction work and the production of various processed construction materials. The remainder is sold to third parties. APAC also purchases substantial quantities of raw aggregate from other producers whose proximity to the job site render it economically feasible. Most other raw materials, such as liquid asphalt, portland cement and reinforcing steel, are purchased from others. APAC is not dependent upon any one supplier or customer.

Approximately 60% of APAC's revenues are derived from highway and other public sector sources. The other 40% is derived from industrial and commercial customers and other private developers and contractors.

Climate and weather significantly affect revenues in the construction business. Due to its location, APAC tends to enjoy a relatively long construction season. Most of APAC's operating income is generated during the construction period of May to October.

Total backlog at September 30, 1994 was \$554 million, compared to \$495 million (restated to exclude APAC's Arizona operations which were sold in February 1994) at September 30, 1993. The backlog orders at September 30, 1994 are considered firm, and a major portion is expected to be filled during fiscal 1995.

EXPLORATION

Ashland's oil and gas exploration and production activities are conducted through wholly owned subsidiaries of Ashland (collectively referred to as "Ashland Exploration"). Ashland Exploration is currently engaged in the exploration for and production of oil and gas in the United States, in the exploration for and production of oil in Nigeria, and in oil and gas exploration in other international areas.

For information regarding Ashland Exploration's estimated oil and gas reserves and other financial data, see Supplemental Oil and Gas Information on Pages 60 and 61 in Ashland's Annual Report. Since October 1, 1993, no estimates of Ashland Exploration's total proved net oil or gas reserves have been filed or included in reports to any federal authority or agency other than the SEC.

DOMESTIC OPERATIONS

Ashland Exploration has concentrated its domestic drilling and production efforts in two core areas: the Appalachian Basin and the Gulf Coast. In addition, minor royalty interests are located primarily in the Southwest and Midcontinent regions of the United States.

In the Appalachian Basin, Ashland Exploration's activities consist primarily of shallow gas development drilling on leaseholds totaling approximately 807,100 acres in eastern Kentucky and West Virginia. In fiscal 1994, it drilled 58 net gas wells, excluding 29 net wells which were being drilled at year-end.

Ashland Exploration's exploratory efforts are concentrated along the Gulf Coast. In fiscal 1994, Ashland Exploration participated in drilling 13 gross exploratory prospects, resulting in 4 gas discoveries. At fiscal year-end, an additional 2 gross exploratory wells were in the process of being drilled. Ashland Exploration's exploratory leasehold position in the Gulf of Mexico has risen to 160,000 acres, excluding one block from an August 1994 federal lease sale on which a lease is expected to be issued in early fiscal 1995.

During fiscal 1994, Ashland Exploration's domestic production averaged 800 net barrels of oil per day and 94.3 million net cubic feet of natural gas per day. The average price received during fiscal 1994 was \$14.29 per barrel of oil and \$2.42 per thousand cubic feet (MCF) of gas.

Ashland Exploration owned a working interest in 2,942 gross (2,655 net) domestic producing wells at September 30, 1994.

INTERNATIONAL OPERATIONS

Ashland Exploration currently has rights to international concessions in Nigeria, Australia, and Morocco. Additional exploration opportunities are being evaluated in these and other countries.

In Nigeria, Ashland Exploration's oil production during fiscal 1994 was 18,700 barrels per day from 74,000 acres onshore and 103,000 acres offshore held under a production-sharing contract with the Nigerian National Petroleum Corporation ("NNPC"), the Nigerian state-owned petroleum company. The term of this production sharing contract has been extended until June 12, 1998. Ashland Exploration plans to initiate exploratory drilling in fiscal 1995 to fulfil the commitment required for the extension of this production sharing contract. If this exploratory drilling is successful, the term on this production sharing contract would be extended until 2013.

Other exploratory efforts in Nigeria will be carried out on two additional offshore blocks comprising a contract area of approximately 600,000 acres under another production-sharing contract with NNPC. The first exploratory well was successful in fiscal 1994. Additional exploratory drilling is planned for fiscal 1995. Ashland Exploration holds a 50% interest in these blocks.

In other international exploratory activities, Ashland Exploration has extended its seismic option agreement with ONAREP, the Moroccan state-owned petroleum company. The agreement covers 1,500,000 acres offshore Morocco, which Ashland Exploration operates with a 50% interest. In Australia, Ashland Exploration owns a 50% interest in one exploration permit consisting of 335,000 gross acres and a 25% interest in another exploration permit consisting of 590,000 gross acres, both of which are located offshore western Australia. Three unsuccessful exploratory wells were drilled in Australia in fiscal 1994.

Ashland Exploration's international operations are necessarily subject to factors beyond its control. Foreign operations may also be affected by laws and policies of the United States relating to foreign trade, investment, and taxation.

NET OIL AND GAS PRODUCTION

The following table summarizes net oil and gas production for the three fiscal years ended September 30, 1994. Net production for Nigeria is before royalty.

	Years Ended September 30		
	1994	1993	1992
Crude Oil (thousand barrels per day)			
United States8	1.0	1.0
Nigeria	18.7	21.7	25.9
Total	19.5	22.7	26.9
	=====	=====	=====
Natural Gas (MMCF per day)			
United States	94.3	99.3	78.3

AVERAGE SALES PRICE AND PRODUCTION COST

Ashland Exploration's average sales price per unit and production cost per unit for crude oil and natural gas for the three fiscal years ended September 30, 1994, are set forth in the table below:

	United States			Nigeria			Total		
	1994	1993	1992	1994	1993	1992	1994	1993	1992
Average sales price									
Crude oil (per barrel).....	\$14.29	\$17.54	\$18.35	\$15.01	\$17.77	\$19.21	\$14.98	\$17.76	\$19.18
Natural gas (per MCF).....	2.42	2.45	2.28	-	-	-	2.42	2.45	2.28
Average production product cost (per equivalent barrel) (1).....	3.87	3.84	4.83	7.69	7.27	6.39	5.90	5.74	5.84

(1) Equivalent barrels computed on a six MCF to one barrel ratio.

GROSS AND NET PRODUCTIVE WELLS

The following table sets forth Ashland Exploration's gross and net productive wells at September 30, 1994:

	Gross	Net
United States		
Oil	175	47
Gas	2,767	2,608
Nigeria		
Oil	36	36
Total	2,978	2,691

These wells include 321 gross wells (308 domestic and 13 international) and 295 net wells (282 domestic and 13 international) which have multiple completions.

TOTAL GROSS AND NET OIL AND GAS PRODUCING AND UNDEVELOPED ACREAGE

The following table sets forth Ashland Exploration's total gross and net oil and gas producing and undeveloped acreage at September 30, 1994:

	Gross Producing Acreage	Net Producing Acreage	Gross Undeveloped Acreage	Net Undeveloped Acreage
(thousands of acres)				
United States	1,201	873	726	405
Nigeria	177	177	580	290
Morocco			1,500	750
Australia			925	315
Total	1,378	1,050	3,731	1,760

NET PRODUCTIVE AND DRY WELLS DRILLED

Ashland Exploration's net productive and dry wells drilled during the three fiscal years ended September 30, 1994, are set forth in the table below:

	1994	1993	1992
	----	----	----
Net Productive Exploratory Wells Drilled			
United States	2	1	5
International	1	0	0
Total	3	1	5
	====	====	====
Net Dry Exploratory Wells Drilled			
United States	4	2	3
International	1	0	0
Total	5	2	3
	====	====	====
Net Productive Development Wells Drilled			
United States	59	84	182
International	0	0	0
Total	59	84	182
	====	====	====
Net Dry Development Wells Drilled			
United States	1	1	0
International	0	0	0
Total	1	1	0
	====	====	====

COAL

Arch Mineral Corporation ("Arch") - Ashland currently owns 50% of Arch and has the right to acquire an additional 1.25% of Arch pursuant to a Put and Call Agreement with an Arch shareholder. Through its wholly owned subsidiaries, Arch mines, processes, markets, and transports bituminous coal in the domestic and export steam and metallurgical markets. An additional wholly owned subsidiary of Arch owns, controls and manages mineral-bearing properties throughout the United States. Arch has mines located in the Appalachian, Midwestern, and Western coal fields with access to rail, inland waterway and truck transportation networks, including several of its own transloading facilities. Arch also controls undeveloped reserves in the San Juan Basin of New Mexico, the Green River area in southwest Wyoming, southern Illinois, Indiana, southeast Kentucky, western Virginia and southern West Virginia.

For its fiscal year ended December 31, 1993, Arch sold 17.6 million tons of coal compared to sales of 20.9 million tons and 21.5 million tons in 1992 and 1991, respectively. In 1993, 79% of Arch's sales were from the production of its wholly owned independent operating subsidiaries, compared to 82% and 80% in 1992 and 1991, respectively. The remainder of the coal sold in each of these periods came from brokerage activities or from independent contractors operating on property controlled by Arch. Surface mines accounted for 69% of the production in 1993, as compared to 62% and 65% in 1992 and 1991, respectively. In each of these periods, the remainder of Arch's production came from its underground and auger mines. Sales under contracts with a duration of more than one year accounted for 78% of Arch's sales in 1993, compared with 86% and 80% in 1992 and 1991, respectively. Arch's 1993 operations were significantly and adversely impacted by the United Mine Workers of America strike discussed on the following page.

As of September 30, 1994, Arch has 33 coal supply contracts of one year or longer duration. In the nine-months ended September 30, 1994, Arch sold 20.5 million tons of coal, 69% of which was sold under contracts with a duration of more than one year. During this period, 74% of Arch's total sales came from the production of its subsidiaries, while the remaining coal sold came from brokerage activities or independent contractors operating on properties controlled by Arch. During this nine-month period, 53% of Arch's production was from its surface mines and the remainder was from its underground and auger mines.

As of December 31, 1993, Arch owned or controlled estimated recoverable coal reserves in the proven and probable categories of approximately 1.6 billion tons, based on an estimate prepared by Arch. Arch believes a majority of these reserves have a sulfur content of less than 1.6 pounds of sulfur dioxide and a substantial portion have a sulfur content of less than 1.2 pounds of sulfur dioxide per million Btu. Ashland has not made an independent verification of this information.

Apogee Coal Company ("Apogee"), an independent operating subsidiary of Arch, is a member of the Bituminous Coal Operators Association ("BCOA") and a signatory to a collective bargaining agreement with the United Mine Workers of America ("UMWA") that expires on August 1, 1998. This contract was ratified on December 14, 1993, after a 219-day strike against certain BCOA members, including Apogee. In the nine months ended September 30, 1994, Apogee's sales from captive and contractors mines represented approximately 54% of Arch's total sales. Two other independent subsidiaries of Arch are signatories to collective bargaining agreements with independent employees associations. Employees of the remainder of Arch's operating subsidiaries are not represented by labor unions.

On January 31, 1994, Catenary Coal Holdings, Inc., a wholly owned subsidiary of Arch, acquired from Enirisorse S.p.A., the stock of Agipcoal Holdings USA, Inc. and Agipcoal America, Inc. On the same date, certain of the subsidiaries and assets of these companies were sold to subsidiaries of the Norfolk Southern Corporation, and Neweagle Industries, Inc. The remaining assets include mining complexes in Kentucky and West Virginia.

Ashland Coal, Inc. ("Ashland Coal") - Ashland owns approximately 39% of Ashland Coal, a public company (NYSE:ACI) which is engaged in the production, transportation, processing and marketing of bituminous coal produced in eastern Kentucky and southern West Virginia. The primary emphasis and direction of Ashland Coal is on the acquisition and development of low-sulfur steam coal reserves.

Saarbergwerke A.G., a coal producer, coal trader, and utility company owned jointly by the Government of Germany (74%) and the State of Saarland (26%), owns approximately a 15% interest in Ashland Coal, and Carboex International Ltd., a subsidiary of Sociedad Espanola De Carbon Exterior, S.A., a coal supply firm controlled by entities of the Government of Spain, owns approximately a 10% interest in Ashland Coal. The remaining 36% of Ashland Coal is owned by the public.

For its fiscal year ended December 31, 1993, Ashland Coal and its independent operating subsidiaries sold 16 million tons of coal, as compared to 19.1 and 14.3 million tons sold in 1992 and 1991, respectively. Of the total number of tons sold during fiscal 1993, approximately 57% was under long-term contracts, as compared to 66% for 1992 and 67% for 1991, with the balance being sold on the spot market. In fiscal 1993, Ashland Coal and its independent operating subsidiaries sold 2.1 million tons of coal in the export market, compared to 3.9 million tons in 1992 and 3.8 million tons in 1991. Approximately 61%, 71%, and 71% of total revenues for 1993, 1992, and 1991, respectively, were derived from long-term contracts. For the year ended December 31, 1993, Ashland Coal's independent operating subsidiaries produced approximately 14.2 million tons of coal, as compared to 16.7 and 12.2 million tons for 1992 and 1991, respectively. In addition, Ashland Coal purchased for resale approximately 1.6 million tons of coal during 1993 and approximately 2.0 million tons of coal during each of 1992 and 1991.

For the nine months ended September 30, 1994, Ashland Coal and its independent operating subsidiaries sold 14.8 million tons of coal. Of the total number of tons sold during the nine months ended September 30, 1994, 63% was under long-term contracts. These sales accounted for approximately 65% of Ashland Coal's total revenues for the nine-month period. Of the 14.8 million tons sold during the nine-month period, 1.4 million tons were sold in the export market. For the nine months, Ashland Coal's independent operating subsidiaries produced approximately 13.9 million tons of coal and purchased approximately 1.0 million tons for resale.

Ashland Coal's consolidated results for 1993 were significantly affected by a selective strike by the United Mine Workers of America from May to December 1993 against the operations of two subsidiaries of Ashland Coal's Dal-Tex Coal Corporation subsidiary ("Dal-Tex") and the operations of Ashland Coal's Hobet Mining, Inc. subsidiary ("Hobet"). These Dal-Tex subsidiaries and Hobet were signatories to the National Bituminous Coal Wage Agreement of 1988. On December 14, 1993, UMWA members ratified the National Bituminous Coal Wage Agreement of 1993, and thereafter the UMWA miners returned to work at the Dal-Tex and Hobet operations.

Ashland Coal's Mingo Logan Coal Company subsidiary ("Mingo Logan"), Mingo Logan's Mountaineer Mining Company and Bearco divisions and certain contract miners are parties to a proceeding to determine whether Mingo Logan's employees should be deemed jointly employed with the contract miners' employees or whether the Mingo Logan and contract miners' employees are employed by different employers. The outcome of the proceeding would determine for purposes of voting on union representation (if such vote is required by applicable labor law) whether the Mingo Logan employees may vote separately, or will be required to vote with employees of Mingo Logan's contract miners.

Substantially all of Ashland Coal's coal properties are in eastern Kentucky and southern West Virginia and are controlled by lease. Most of these leases run until the exhaustion of minable and merchantable coal. The remaining leases have primary terms ranging from one to 40 years, with many containing options to renew. Royalties paid to lessors are either on a fixed price per ton basis or on a percentage of the gross sales price basis.

As of December 31, 1993, Ashland Coal estimates that its subsidiaries controlled approximately 723 million tons of recoverable reserves in the proven and probable categories. Based upon limited information obtained from preliminary prospecting, drilling and coal seam analysis, Ashland Coal estimates that a substantial percentage of this coal has a sulfur content of 1% or less. Ashland has not made an independent verification of this information. The extent to which reserves will eventually be mined depends upon a variety of variables, including future economic conditions and governmental actions affecting both the mining and marketability of low-sulfur steam coal.

Other Matters - Arch and Ashland Coal are subject to environmental regulations, including the Surface Mining Control and Reclamation Act of 1977, the Clean Water Act, the Resource Conservation and Recovery Act and the Clean Air Act, as well as related federal environmental regulations and similar state enactments. In addition, the Federal Mine Safety and Health Act of 1977 ("MSHA") imposes health and safety standards on all mining operations. Regulations under MSHA are comprehensive and affect numerous aspects of mining operations, including the training of mine personnel, mining procedures, blasting and the equipment used in mining operations. Arch and Ashland Coal believe that they are in substantial compliance with all applicable environmental and MSHA requirements. These requirements are not expected to have a material adverse impact on Arch's or Ashland Coal's competitive position.

Arch and Ashland Coal are subject to the provisions of the Coal Industry Retiree Health Benefit Act of 1992. This legislation provides for the funding of medical and death benefits for certain retired members of the UMWA through premiums to be paid by assigned operators, transfers from an overfunded pension trust established for the benefit of retired UMWA members, and transfers from the Abandoned Mine Lands Fund, which is funded by a federal tax on coal production. The effect of this legislation on the earnings and financial conditions of Arch and Ashland Coal is not expected to be significant.

For information relating to acid rain legislation, see "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

OTHER BUSINESS

Ashland, through a subsidiary, Ashland Ethanol, Inc. ("AEI"), has a 50% interest in a partnership that owns an ethanol plant located in South Point, Ohio. The partnership is comprised of AEI and subsidiaries of Ohio Farm Bureau Federation, Inc., Publicker Industries Inc. and UGI Corporation. The plant began operation in September 1982 and is currently producing at an annual rate of approximately 65 million gallons of ethanol. In addition, the plant produced about 180 million tons of distillers dried grain in fiscal 1994. In 1981 the United States Department of Energy entered into a cooperative agreement with the partnership under which it advanced approximately \$24.5 million in connection with the construction of this plant which will, except under certain circumstances, have to be repaid starting in 1996. The partnership also has a Farmers Home Administration ("FmHA") guaranteed loan and a working capital loan. Because of past concerns about the venture's long-term viability, Ashland wrote off its investment in AEI in fiscal 1986 and provided a reserve for the estimated impact of expected losses.

AECOM Technology Corporation ("AECOM"), a 25% owned affiliate of Ashland, provides a wide array of design, engineering, architectural, planning, operations and maintenance, construction and construction management, development, environmental and other technical and professional services to industrial, commercial and government clients. AECOM is headquartered in Los Angeles, California, and performs services through offices located throughout the world.

MISCELLANEOUS

GOVERNMENTAL REGULATION AND ACTION

Ashland's operations are affected by political developments and laws and regulations, such as restrictions on production, restrictions on imports and exports, the maintenance of specified reserves, price controls, tax increases and retroactive tax claims, expropriation of property, cancellation of contract rights, environmental protection controls and laws pertaining to workers' health and safety. As discussed in part below, a number of bills have been enacted or proposed by the United States Congress and various state governments which have or could have a significant impact on Ashland.

General - As a refiner, Ashland is substantially affected by changes in world crude oil prices. Many world and regional events can have substantial effects on world crude oil prices and can increase volatility in world markets. Ashland expects to be able to acquire adequate supplies of crude oil at competitive prices. However, Ashland cannot predict whether foreign and United States petroleum product price levels will permit its refineries to operate on a profitable basis. Neither can it predict the effect on its operations and financial condition from possible further changes in the Organization of Petroleum Exporting Countries ("OPEC") policies or in actions by the President of the United States and the Congress, from changes in taxes and federal regulation of the oil and gas business in the United States, or from other developments that cannot be foreseen.

The stability of Ashland's crude oil supply from foreign sources is subject to factors beyond its control, such as military conflict between oil-producing countries, the possibility of nationalization of assets, embargoes of the type imposed by OPEC in 1973, internal instability in one or more oil-producing countries, and rapid increases in crude oil prices. Although Ashland will continue, for economic reasons, to rely upon foreign crude oil sources for a substantial portion of its crude oil supply, the extent of operation in the domestic crude oil market afforded by Scurlock Permian Corporation will assist in offsetting the adverse effects frequently associated with market volatility. See "Petroleum-Crude Oil Supply" for Ashland's crude oil processing requirements.

Imported crude oil is subject at present to payment of duty, which is 10.5 cents per barrel for crudes over 25 API gravity (2.1 cents per barrel for Canadian imports) and 5.25 cents per barrel for crudes below 25 API gravity (1.05 cents per barrel for Canadian imports). Imported crude oil is also subject to a customs users fee of .17% of the value of the crude oil. For information with respect to tax assessments on crude oil, see also "Environmental Protection."

Environmental Protection - Federal, state and local statutes and regulations relating to the protection of the environment have a significant impact on the conduct of Ashland's businesses. Ashland's capital and operating expenditures for air, water and solid waste control facilities are summarized below.

(In millions)	Years Ended September 30		
	1994	1993	1992
Capital expenditures	\$ 63	\$137	\$162
Operating expenditures	140	148	138

At September 30, 1994, Ashland's reserves for environmental assessment and remediation efforts amounted to \$167 million, reflecting Ashland's most likely estimates of the costs which will be incurred over an extended period to remediate identified environmental conditions for which costs are reasonably estimable.

During fiscal 1995 and 1996, based on current environmental regulations, Ashland estimates capital expenditures for air, water and solid waste control facilities to be \$70 million and \$85 million, respectively. Expenditures for investigatory and remedial efforts in future years are subject to the uncertainties associated with environmental exposures, including identification of new environmental sites and changes in laws and regulations and their application. Such expenditures, however, are not expected to have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity, but could have a material adverse effect on results of operations in a particular quarter or fiscal year. With respect to the effect of such expenditures on Ashland's competitive position in its industries, it is not expected that Ashland's expenditures will be affected by the legislation and regulations relating to the environment in a manner that is significantly different from the anticipated effect on its competitors in the petroleum or chemical industries.

The United States Environmental Protection Agency ("USEPA") and the states have adopted regulations and laws concerning underground storage tanks covering, among other things, registration of tanks, release detection, corrosion protection, response to releases, closure of, and financial responsibility for, underground storage tank systems.

The Superfund Reauthorization Act of 1986 ("Superfund") provided for the establishment of a fund to be used for a waste clean-up program administered by the USEPA. The law provides for five separate taxes: (i) a petroleum tax on domestic crude oil and on imported crude oil equalized at 9.7 cents per barrel plus a 5 cents per barrel oil spill tax, as more fully described below, (ii) a chemical feedstock tax, (iii) a tax on imported chemical derivatives, and (iv) an "environmental tax" based on corporate alternative minimum taxable income. Ashland paid approximately \$19 million in Superfund taxes during fiscal 1994. Superfund, which provides for cleanup of certain hazardous waste sites, is expected to be reauthorized during the 104th Congress. The reauthorized act is expected to provide for fair-share allocation of liability, improve cleanup remedy selection, and reduce insurance recovery litigation all of which should make the program more effective. However, it is uncertain at this time exactly what the revisions will be, or if they will result in significant savings.

Effective October 1, 1993, the USEPA reduced by 90 percent, from 0.5 to 0.05 percent by weight, the allowable sulfur level in diesel fuel used on highways. The USEPA's action was designed to provide cleaner fuel that will permit reduced particulate emissions from truck engines. Ashland has invested more than \$250 million in additional sulfur removal facilities, and is currently producing and providing such ultra-low-sulfur diesel fuel for on-highway use.

The Oil Pollution Act of 1990 ("OPA 90") established a \$1 billion trust fund to cover cleanup-related costs of oil spills after the responsible party's liability limits have been reached, or where the responsible party is otherwise unidentifiable or unable to pay. The trust fund is financed, when depleted below specified levels, through an excise tax of 5 cents per barrel on domestic crude oil and imported petroleum oil products (pursuant to the Superfund Reauthorization Act of 1986). On July 1, 1993, the oil spill tax was suspended because the Treasury Department estimated that the spill liability trust fund would reach its suspension point at the close of the second

quarter of 1993. Effective July 1, 1994, the oil spill tax was reinstated. OPA 90 subjects spillers to strict liability for removal costs and damages (including natural resource damages) resulting from oil spills, and requires the preparation and implementation of spill-response plans at designated vessels and facilities. Additionally, OPA 90 requires that new tank vessels entering or operating in domestic waters be equipped with double hulls, and that existing tank vessels without double hulls be retrofitted or removed from domestic service according to a phase-out schedule. While Ashland does not believe that compliance with implementing regulations will have a material adverse effect on the company's results of operations, a complete assessment of the financial implications of OPA 90 will be performed when all implementing regulations are final.

On July 1, 1994, the United States Coast Guard issued interim final regulations dealing with financial responsibility for water pollution (vessels) under OPA 90 and the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"). The regulations require self-propelled tank vessel owners and operators to maintain evidence of financial responsibility, effective December 28, 1994, sufficient to meet their potential liability defined under OPA 90 and CERCLA for spills of oil or hazardous substances. The Director, Coast Guard National Funds Center has granted permission to Ashland to self-insure the financial responsibility amount for liability purposes for Ashland's ocean tankers as provided in OPA 90. Ashland is currently assessing the impact the regulations will have upon Ashland and its crude oil purchasing and transportation costs and strategies.

The Federal Clean Air Act requires the refining industry to market cleaner-burning, reformulated gasoline ("RFG") beginning January 1, 1995 in nine specified metropolitan areas across the country. Ashland does not directly supply gasoline in any of the nine metropolitan areas. However, several urban locations within Ashland's marketing area have opted into the RFG program. Ashland currently believes it will be able to meet expected demand for RFG in its marketing area. The Clean Air Act also requires the refining industry to supply 39 carbon monoxide (CO) non-attainment areas with gasoline containing 2.7 weight percent oxygen for four winter months each year. Upon being re-designated CO attainment, several of these areas are seeking to opt-out of the oxygenated gasoline requirements. Ashland believes it will have a continuing need to directly supply this fuel only at St. Paul Park, Minnesota, whose primary market is a CO non-attainment area. Ashland believes it has or has access to ample oxygenate to meet this requirement.

The Clean Air Act also contains acid rain provisions which require substantial reductions in sulfur dioxide emissions by power plants in the United States which should favor low-sulfur coal producers. Both Ashland Coal and Arch have significant low-sulfur reserves and should benefit from expected higher demand for low-sulfur coal.

The Resource Conservation and Recovery Act ("RCRA"), which requires "cradle to grave" management of hazardous waste, is slated to be reauthorized by Congress, although timing of such reauthorization is uncertain. Reauthorization issues may include an expansion of hazardous waste program coverage, recycling, used oil, and solid waste management. These same issues may be addressed in additional USEPA rulemakings unrelated to reauthorization efforts. It is anticipated that both the reauthorization and other future rulemakings will result in increased environmental compliance costs, but the amount of such increase is uncertain at this time.

RESEARCH

Ashland conducts a program of research and development directed toward the invention and improvement of products and processes and also toward the improvement of environmental controls for its existing facilities. It maintains its primary research facilities in Catlettsburg, Kentucky, and Dublin, Ohio. For information about research and development costs, see Note A of Notes to Consolidated Financial Statements in Ashland's Annual Report.

COMPETITION

In all of its operations, Ashland is subject to intense competition both from companies in the respective industries in which it operates and from products of companies in other industries. In all of these segments, competition is based primarily on price, with factors such as reliability of supply, service and quality being considered. Ashland Petroleum competes primarily with other domestic refiners and, to a lesser extent, with

imported products. However, Ashland Petroleum enjoys a geographic advantage for products in its primary marketing areas. While some integrated competitors have sources of controlled crude production, few competitors in Ashland Petroleum's market areas are significantly crude self-sufficient. SuperAmerica competes with major oil companies, independent oil companies and independent marketers. Virtually all of SuperAmerica's refined products are supplied by Ashland Petroleum. SuperAmerica maintains one of the lowest net operating cost structures in the industry and enjoys gasoline and merchandise sales per store exceeding the convenience store industry average based on the 1994 National Association of Convenience Store State of the Industry Survey.

Valvoline competes primarily with domestic oil companies and, to a lesser extent, with international oil companies on a worldwide basis. Valvoline's brand recognition and increasing market share in the fast oil-change market are important competitive factors. Ashland Chemical competes in a number of chemical distribution, specialty chemical and petrochemical markets. Its chemicals and solvents distribution businesses compete with national, regional and local companies throughout North America. Its plastics distribution businesses compete worldwide. Ashland Chemical's specialty chemicals businesses compete globally in selected niche markets and compete largely on the basis of technology and service while holding proprietary technology in virtually all their specialty chemicals businesses. Petrochemicals are largely commodities, with pricing and quality being the most important factors. The majority of the business for which APAC competes is obtained by competitive bidding. An important competitive factor in Ashland Exploration's domestic production activity is the ability of its exploration staff to identify potential natural gas prospects, obtain exploration rights and formulate and complete plans for the development of properties. Similarly, competitive factors that are important for Ashland Exploration's international production include its experience in identifying prospects and developing and operating properties. The coal industry is highly competitive, and Arch and Ashland Coal compete (principally in price, location and quality of coal) with each other and with a large number of other coal producers, some of which are substantially larger and have greater financial resources and larger reserve bases than them.

ITEM 2. PROPERTIES

Ashland's corporate headquarters and the principal offices of Ashland Petroleum are located in Russell, Kentucky. Principal offices of other segments are located in Lexington, Kentucky (SuperAmerica and Valvoline); Dublin, Ohio (Chemical); Atlanta, Georgia (Construction); and Houston, Texas (Exploration). All of these offices are leased for various terms ranging from 13 to 72 years, including renewal options. Ashland's principal manufacturing, marketing and other materially important physical properties are described under the appropriate segment under Item 1. See also the statistical data included under "Exploration" and "Coal" in Item 1 and Supplemental Oil and Gas Information on Pages 60 and 61 in Ashland's Annual Report. Additional information concerning certain leases may be found in Note G of Notes to Consolidated Financial Statements in Ashland's Annual Report. Such information is incorporated in this Item by reference.

ITEM 3. LEGAL PROCEEDINGS

Environmental Proceedings - (1) As of September 30, 1994, Ashland was subject to 72 notices received from the USEPA identifying Ashland as a "potentially responsible party" ("PRP") under CERCLA and the Superfund Amendment and Reauthorization Act ("SARA") for potential joint and several liability for cleanup costs in connection with alleged releases of hazardous substances from various waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the USEPA in accordance with procedures established under CERCLA and SARA regulations, in which Ashland may be participating as a member of various PRP groups. Generally, the type of relief sought by the USEPA includes remediation of contaminated soil and/or groundwater, reimbursement for the costs of site cleanup or oversight expended by the USEPA, and/or long-term monitoring of environmental conditions at the sites. Ashland also receives notices from state environmental agencies pursuant to similar state legislation. Ashland carefully monitors the investigatory and remedial activity at many of these sites. Based on its experience with site remediation, its familiarity with current environmental laws and regulations, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland believes that its liability at these sites, either individually or

in the aggregate, after taking into account established reserves, will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity but could have a material adverse effect on results of operations in a particular quarter or fiscal year. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. For additional information regarding these matters, see "Governmental Regulation and Action-Environmental Protection."

(2) Ashland received a Notice of Potential Liability from the Commonwealth of Pennsylvania regarding a crude oil spill incident in the Delaware River in July 1994 involving the M/V Kentucky, which Ashland charters under a long-term bareboat charter.

El Paso Dispute - On March 11, 1993, a complaint was filed by El Paso Refinery, L.P., against Scurlock Permian Corporation ("SPC"), a wholly owned subsidiary of Ashland, in the District Court of El Paso County, Texas. El Paso Refinery, L.P., is currently in Chapter 7 bankruptcy. Plaintiff alleges that SPC wrongfully breached certain duties under a contract to supply crude oil. Plaintiff further alleges violations of Texas usury law, common law fraud and duress and seeks substantial damages. In an apparent companion case filed the same day by individual plaintiffs (two officers of El Paso Refining, Inc., the general partner of El Paso Refinery, L.P.), damages are sought against SPC and others based upon the execution by plaintiffs of promissory notes in connection with the financing of the refinery. Ashland and SPC believe these complaints to be without merit and intend to defend them vigorously. SPC is a creditor in the El Paso bankruptcy proceeding and had filed a proof of claim for approximately \$39 million against the bankrupt estate. As of November 8, 1994, SPC had received approximately \$20 million from the liquidation of collateral. Ashland believes its current reserves are adequate to cover any shortfall that could be sustained in the bankruptcy proceeding.

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

No matters were submitted to a vote of security holders through the solicitation of proxies or otherwise, during the quarter ended September 30, 1994.

ITEM X. EXECUTIVE OFFICERS OF ASHLAND

The following is a list of Ashland's executive officers, their ages and their positions and offices during the last five years (listed alphabetically as to Senior Vice Presidents who are members of Ashland's core management group, other Senior Vice Presidents, Administrative Vice Presidents and other executive officers.)

John R. Hall (age 62) is Chairman of the Board of Directors, Chief Executive Officer and Director of Ashland and has served in such capacities since 1981, 1981 and 1968, respectively.

Paul W. Chellgren (age 51) is President and Chief Operating Officer and Director of Ashland and has served in such capacities since 1992. During the past five years, he has also served as Senior Vice President and Chief Financial Officer of Ashland.

James R. Boyd (age 48) is Senior Vice President of Ashland and Group Operating Officer - Ashland Exploration, Inc., Arch Mineral Corporation, Ashland Services Company and APAC, Inc. Mr. Boyd has served as Senior Vice President since 1989 and as Group Operating Officer for the above companies since 1990, with the exception of APAC for which he assumed responsibility as of October 1, 1993. During the past five years, he has also served as Vice President of Ashland and President of Ashland Exploration, Inc.

John A. Brothers (age 54) is Senior Vice President of Ashland and Group Operating Officer - Ashland Chemical Company, SuperAmerica Group and The Valvoline Company and has served in such capacities since 1984 and 1988, respectively.

Thomas L. Feazell (age 57) is Senior Vice President, General Counsel and Secretary of Ashland and has served in such capacities since 1992, 1981 and October 1992, respectively. During the past five years he has also served as Administrative Vice President of Ashland.

J. Marvin Quin (age 47) is Senior Vice President and Chief Financial Officer of Ashland and has served in such capacities since 1992. During the past five years, he has also served as Administrative Vice President and Treasurer of Ashland.

Robert E. Yancey, Jr. (age 49) is Senior Vice President of Ashland and Group Operating Officer - Ashland Petroleum Company and South Point Ethanol and President of Ashland Petroleum Company and has served in such capacities since 1986, 1988, and 1986, respectively. During the past five years, he also served as Group Operating Officer of APAC, Inc.

Harry M. Zachem (age 50) is Senior Vice President - Public Affairs and has served in such capacity since 1988.

John D. Barr (age 47) is Senior Vice President of Ashland and President of The Valvoline Company and has served in such capacities since 1989 and 1987, respectively. During the past five years he has also served as Vice President of Ashland.

David J. D'Antoni (age 49) is Senior Vice President of Ashland and President of Ashland Chemical Company and has served in such capacities since 1988.

John F. Pettus (age 51) is Senior Vice President of Ashland and President of SuperAmerica Group and has served in such capacities since 1989 and 1988, respectively. During the past five years he has also served as Vice President of Ashland.

Charles F. Potts (age 50) is Senior Vice President of Ashland and President of APAC, Inc. and has served in such capacities since 1992. During the past five years he has also served as Senior Vice President and Chief Operating Officer and Regional Vice President of APAC.

G. Thomas Wilkinson (age 56) is Senior Vice President of Ashland and President of Ashland Exploration, Inc. and has served in such capacities since 1992 and 1990, respectively. During the past five years he has also served as Vice President of Ashland, Executive Vice President of Ashland Exploration, Inc. and Senior Vice President of Ashland Exploration, Inc.

Kenneth L. Aulen (age 45) is Administrative Vice President and Controller of Ashland and has served in such capacity since 1992. During the past five years he has also served as Auditor and Assistant Controller of Ashland.

Philip W. Block (age 47) is Administrative Vice President - Human Resources of Ashland and has served in such capacity since 1992. During the past five years he has also served as Vice President - Corporate Human Resources.

John W. Dansby (age 49) is Administrative Vice President and Treasurer of Ashland and has served in such capacities since 1992. During the past five years he has also served as Ashland's Vice President of Planning.

William R. Sawran (age 49) is Vice President of Ashland, Chief Information Officer and President of Ashland Services Company and has served in such capacities since 1994 and 1984 respectively.

Fred E. Lutzeier (age 42) is Auditor of Ashland and has served in such capacity since December 1992. During the past five years he has also served as Vice President and Controller of Arch Mineral Corporation.

Each executive officer (other than Vice Presidents who are appointed by Ashland's management) is elected by the Board of Directors to a term of one year, or until his successor is duly elected, at the annual meeting of the Board of Directors, except in those instances where the officer is elected at other than an annual meeting of the Board of Directors, in which case his tenure will expire at the next annual meeting of the Board of Directors unless he is re-elected.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

There is hereby incorporated by reference the information appearing under the caption "Management's Discussion and Analysis-Quarterly Financial Information" on Page 40 in Ashland's Annual Report.

At September 30, 1994, there were approximately 25,500 holders of record of Ashland's Common Stock. Ashland Common Stock is listed on the New York and Chicago stock exchanges (ticker symbol ASH) and has trading privileges on the Boston, Cincinnati, Pacific, Philadelphia and Amsterdam stock exchanges.

ITEM 6. SELECTED FINANCIAL DATA

There is hereby incorporated by reference the information appearing under the caption "Five Year Selected Financial Information" on Page 57 in Ashland's Annual Report.

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

There is hereby incorporated by reference the information appearing under the caption "Management's Discussion and Analysis" on Pages 34 to 40 in Ashland's Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

There is hereby incorporated by reference the consolidated financial statements appearing on Pages 41 through 55, the supplemental information appearing on Pages 58 through 61, and the information appearing under the caption "Management's Discussion and Analysis-Quarterly Financial Information" on Page 40 in Ashland's Annual Report.

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

There has been no change in Ashland's independent auditors during the two fiscal years ended September 30, 1994.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information under the caption "Election of Directors" in Ashland's definitive Proxy Statement for its January 26, 1995 Annual Meeting of Shareholders, which was filed with the SEC within 120 days after September 30, 1994 ("Proxy Statement"). See also the list of Ashland's executive officers and related information under "Executive Officers of Ashland" in Item X herein.

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information to appear under the captions "Executive Compensation" and "Compensation of Directors" in Ashland's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information to appear under the caption "Election of Directors" and the information regarding the ownership of securities of Ashland in Ashland's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information to appear under the caption "Compensation Committee Interlocks and Insider Participation" in Ashland's Proxy Statement.

PART IV

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

(a) DOCUMENTS FILED AS PART OF THIS REPORT

(1) and (2) Financial Statements and Financial Schedules

The consolidated financial statements and financial schedules of Ashland presented or incorporated by reference in this report are listed in the index on Page 27.

(3) Exhibits

- 3.1 - Second Restated Articles of Incorporation of Ashland, as amended to May 18, 1993.

- 3.2 - Bylaws of Ashland, as amended to March 17, 1994.
- 4.1 - Ashland agrees to provide the SEC, upon request, copies of instruments defining the rights of holders of long-term debt of Ashland, and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the SEC.
- 4.2 - Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland and Citibank, N.A., as Trustee (filed as Exhibit 4(a) to Ashland's 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference).

The following Exhibits 10.1 through 10.17 are compensatory plans or arrangements or management contracts required to be filed as exhibits pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

- 10.1 - Amended Stock Incentive Plan for Key Employees of Ashland Oil, Inc. and its Subsidiaries.
- 10.2 - Ashland Oil, Inc. Deferred Compensation and Stock Incentive Plan for Non-Employee Directors (filed as Exhibit 10(c).18 to Ashland's Form 10-Q for the quarter ended December 31, 1993, and incorporated herein by reference).
- 10.3 - Ashland Oil, Inc. Director Retirement Plan (filed as Exhibit 10(c).3 to Ashland's Form 10-K for the fiscal year ended September 30, 1988, and incorporated herein by reference).
- 10.4 - Eighth Amended and Restated Ashland Oil, Inc. Supplemental Early Retirement Plan for Certain Key Executive Employees (filed as Exhibit 10(c).4 to Ashland's Form 10-K for the fiscal year ended September 30, 1992, and incorporated herein by reference).
- 10.5 - Ashland Oil, Inc. Amended Performance Unit Plan.
- 10.6 - Ashland Oil, Inc. Incentive Compensation Plan (filed as Exhibit 10(c).6 to Ashland's 10-K for the fiscal year ended September 30, 1993, and incorporated herein by reference).
- 10.7 - Ashland Oil, Inc. Deferred Compensation Plan for Key Employees (filed as Exhibit 10(c).7 to Ashland's Form 10-K for the fiscal year ended September 30, 1988, and incorporated herein by reference).
- 10.8 - Ashland Oil, Inc. ERISA Forfeiture Plan (filed as Exhibit 10(c).8 to Ashland's 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference).
- 10.9 - Ashland Oil, Inc. Deferred Compensation Plan for ERISA Forfeitures (filed as Exhibit 10(c).9 to Ashland's 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference).
- 10.10 - Ashland Oil, Inc. Director Death Benefit Program (filed as Exhibit 10(c).10 to Ashland's 10-K for the fiscal year ended September 30, 1990, and incorporated herein by reference).
- 10.11 - Ashland Oil, Inc. Salary Continuation Plan (filed as Exhibit 10(c).11 to Ashland's Form 10-K for the fiscal year ended September 30, 1988, and incorporated herein by reference).
- 10.12 - Forms of Ashland Oil, Inc. Executive Employment Contract between Ashland Oil, Inc. and certain executive officers of Ashland (filed as Exhibit 10(c).12 to Ashland's 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference).
- 10.13 - Form of Indemnification Agreement between Ashland Oil, Inc. and each member of its Board of Directors (filed as Exhibit 10(c).13 to Ashland's 10-K for the fiscal year ended September 30, 1990, and incorporated herein by reference).
- 10.14 - Ashland Oil, Inc. Nonqualified Excess Benefit Pension Plan (filed as Exhibit 10(c).14 to Ashland's Form 10-K for the fiscal year ended September 30, 1988, and incorporated herein by reference).
- 10.15 - Ashland Oil, Inc. Long-Term Incentive Plan.

- 10.16 - Ashland Oil, Inc. Directors' Charitable Award Program (filed as Exhibit 10(c).16 to Ashland's Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference).
 - 10.17 - Ashland Oil, Inc. 1993 Stock Incentive Plan.

 - 11 - Computation of Earnings Per Share (appearing on Page 33 of Ashland's Form 10-K for the fiscal year ended September 30, 1994).
 - 13 - Portions of Ashland's Annual Report to Shareholders, incorporated by reference herein, for the fiscal year ended September 30, 1994.
 - 21 - List of Subsidiaries.
 - 23 - Consent of Ernst & Young, independent auditors.
 - 24 - Power of Attorney, including resolutions of the Board of Directors.
 - 27 - Financial Data Schedule
- Upon written or oral request, a copy of the above exhibits will be furnished at cost.

(b) REPORTS ON FORM 8-K

None

SIGNATURES

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

ASHLAND OIL, INC.
(Registrant)

By: /s/ Kenneth L. Aulen

(Kenneth L. Aulen, Administrative
Vice President and Controller)

Date: December 8, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant, in the capacities indicated, on December 8, 1994.

Signatures -----	Capacity -----
/s/ John R. Hall ----- John R. Hall	Chairman of the Board of Directors, Chief Executive Officer and Director
/s/ J. Marvin Quin ----- J. Marvin Quin	Senior Vice President and Chief Financial Officer
/s/ Kenneth L. Aulen ----- Kenneth L. Aulen	Administrative Vice President, Controller and Principal Accounting Officer
* ----- Thomas E. Bolger	Director
* ----- Samuel C. Butler	Director
* ----- Frank C. Carlucci	Director
* ----- Paul W. Chellgren	Director
* ----- James B. Farley	Director
* ----- Edmund B. Fitzgerald	Director
* ----- Mannie L. Jackson	Director

*

Director

Patrick F. Noonan

*

Director

Jane C. Pfeiffer

*

Director

Michael D. Rose

*

Director

William L. Rouse, Jr.

*

Director

Robert B. Stobaugh

*

Director

James W. Vandever

By: /s/ Thomas L. Fezell

Thomas L. Fezell
Attorney-in-Fact

Date: December 8, 1994

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL SCHEDULES

	Page
Consolidated financial statements and supplemental information:	
Statements of consolidated income	*
Consolidated balance sheets	*
Statements of consolidated common stockholders' equity	*
Statements of consolidated cash flows	*
Notes to consolidated financial statements	*
Five year information by industry segment	*
Supplemental oil and gas information	*
Management's discussion and analysis-Quarterly financial information	*
Consolidated financial schedules:	
V- Property, plant and equipment	29
VI- Accumulated depreciation, depletion and amortization of property, plant and equipment	30
VIII- Valuation and qualifying accounts	31
IX- Short-term borrowings	32

*The consolidated financial statements appearing on Pages 41 through 55, the supplemental information appearing on Pages 58 through 61 and the information appearing under the caption "Management's Discussion and Analysis-Quarterly Financial Information" on Page 40 in Ashland's Annual Report are incorporated by reference in this Annual Report on Form 10-K.

Schedules other than those listed above have been omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto. Separate financial statements of unconsolidated affiliates are omitted because each company does not constitute a significant subsidiary using the 20% tests when considered individually. Summarized financial information for such affiliates is disclosed in Note D of Notes to Consolidated Financial Statements in Ashland's Annual Report.

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements and schedules of Ashland Oil, Inc. and subsidiaries listed in the accompanying index to financial statements and financial schedules (Item 14(a)). These financial statements and schedules are the responsibility of Ashland's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements listed in the accompanying index to financial statements (Item 14(a)) present fairly, in all material respects, the consolidated financial position of Ashland Oil, Inc. and subsidiaries at September 30, 1994, and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note A to the consolidated financial statements, in fiscal 1992 Ashland changed its methods of accounting for postretirement benefits other than pensions and for income taxes.

Louisville, Kentucky
November 2, 1994

Ernst & Young LLP

Ashland Oil, Inc. and Subsidiaries
Schedule V - Property, Plant and Equipment

(In millions)	Balance at beginning of year	Additions	Retirements and transfers	Other additions (deductions)			Balance at end of year
				Operations acquired	Divestitures	Other-net	

Year ended September 30, 1994							
Petroleum	\$2,790	\$155	\$ (20)	\$ 1	\$ (15)	\$ -	\$2,911
SuperAmerica	440	39	(20)	-	-	-	459
Valvoline	250	25	(3)	1	-	-	273
Chemical	573	61	(7)	6	-	-	633
Construction	582	45	(4)	12	(107)	-	528
Exploration	924	41	(22)	-	-	-	943
Corporate	146	10	(5)	-	-	-	151

	\$5,705	\$376	\$ (81)	\$ 20	\$(122)	\$ -	\$5,898
=====							
Year ended September 30, 1993							
Petroleum	\$2,662	\$230	\$ (14)	\$ -	\$ (88)	\$ -	\$2,790
SuperAmerica	517	25	(22)	-	(80)	-	440
Valvoline	238	21	(7)	-	-	(2)	250
Chemical	547	51	(19)	-	(6)	-	573
Construction	562	43	(20)	-	(3)	-	582
Exploration	894	42	(12)	-	-	-	924
Corporate	145	20	(19)	-	-	-	146

	\$5,565	\$432	\$ (113)	\$ -	\$(177)	\$(2)	\$5,705
=====							
Year ended September 30, 1992							
Petroleum	\$2,432	\$273	\$ (22)	\$(1)	\$ (20)	\$ -	\$2,662
SuperAmerica	486	37	(7)	5	-	(4)	517
Valvoline	222	19	(3)	-	-	-	238
Chemical	488	47	(13)	25	-	-	547
Construction	545	42	(21)	3	(7)	-	562
Exploration	835	67	(17)	9	-	-	894
Corporate	158	19	(32)	-	-	-	145

	\$5,166	\$504	\$(115)	\$41	\$ (27)	\$(4)	\$5,565
=====							

Ashland Oil, Inc. and Subsidiaries
Schedule VI - Accumulated Depreciation, Depletion and
Amortization of Property, Plant and Equipment

(In millions)	Balance at beginning of year	Depreciation, depletion and amortization(1)	Retirements and transfers	Divestitures	Balance at end of year

Year ended September 30, 1994					
Petroleum	\$1,296	\$131	\$(16)	\$ (8)	\$1,403
SuperAmerica	185	27	(15)	-	197
Valvoline	79	15	2	-	96
Chemical	280	37	(8)	-	309
Construction	412	39	(5)	(81)	365
Exploration	610	35	(14)	-	631
Corporate	73	11	(3)	-	81
	\$2,935	\$295	\$(59)	\$(89)	\$3,082
=====					
Year ended September 30, 1993					
Petroleum	\$1,242	\$123	\$(9)	\$(60)	\$1,296
SuperAmerica	199	28	(15)	(27)	185
Valvoline	71	13	(5)	-	79
Chemical	260	35	(12)	(3)	280
Construction	390	44	(20)	(2)	412
Exploration	583	36	(9)	-	610
Corporate	73	11	(11)	-	73
	\$2,818	\$290	\$(81)	\$(92)	\$2,935
=====					
Year ended September 30, 1992					
Petroleum	\$1,138	\$121	\$(17)	\$ -	\$1,242
SuperAmerica	172	31	(4)	-	199
Valvoline	60	13	(2)	-	71
Chemical	236	35	(11)	-	260
Construction	369	44	(19)	(4)	390
Exploration	558	42	(17)	-	583
Corporate	69	11	(7)	-	73
	\$2,602	\$297	\$(77)	\$ (4)	\$2,818
=====					

[FN]
(1) Includes amounts charged to general corporate expenses.

Ashland Oil, Inc. and Subsidiaries
Schedule VIII - Valuation and Qualifying Accounts

(In millions)	Balance at beginning of year	Provisions charged to earnings	Reserves utilized	Other changes	Balance at end of year
Year ended September 30, 1994					
Reserves deducted from asset accounts					
Accounts receivable	\$20	\$11	\$ (8)(1)	\$ -	\$23
Inventories	5	3	(2)	-	6
Year ended September 30, 1993					
Reserves deducted from asset accounts					
Accounts receivable	\$18	\$13	\$ (9)(1)	\$(2)	\$20
Inventories	9	2	(6)	-	5
Year ended September 30, 1992					
Reserves deducted from asset accounts					
Accounts receivable	\$18	\$30	\$(30)(1)	\$ -	\$18
Inventories	6	6	(3)	-	9

(1) Uncollected amounts written off, net of recoveries of \$2 million in 1994, \$3 million in 1993 and \$2 million in 1992.

Ashland Oil, Inc. and Subsidiaries
Schedule IX - Short-Term Borrowings

(In millions) Category of short-term borrowings	Balance at end of year	Weighted average interest rate at end of year	Amount Outstanding		Weighted average interest rate during year(2)
			Maximum at any month end during year	Average during year(1)	
Year ended September 30, 1994					
Notes payable to banks	\$ 57	5.1%	\$ 69	\$ 26	4.1%
Commercial paper	15	5.0%	40	6	4.4%
Year ended September 30, 1993					
Notes payable to banks	\$ 42	3.3%	\$165	\$ 87	3.3%
Commercial paper	35	3.4%	111	40	3.3%
Year ended September 30, 1992					
Notes payable to banks	\$146	3.6%	\$165	\$108	4.3%
Commercial paper	89	3.5%	89	45	4.4%

(1) Average is based on daily outstanding balances of short-term borrowings.

(2) Weighted average is based on interest expense on short-term borrowings divided by average short-term borrowings outstanding.

Ashland Oil, Inc. and Subsidiaries
Exhibit 11 - Computation of Earnings (Loss) Per Share
Years Ended September 30

(In millions except per share data)	1994	1993	1992
Primary earnings (loss) per share			
Income (loss) available to common shares			
Net income (loss)	\$ 197	\$ 142	\$ (336)
Ashland Coal, Inc. (ACI) equity income and Ashland's share of ACI's cumulative effect of accounting changes (net of income taxes)	-	(25)	(4)
Ashland's share of ACI primary earnings per share (net of income taxes)	-	23	4
Dividends on convertible preferred stock	(19)	(6)	-
	\$ 178	\$ 134	\$ (336)
Average common shares and equivalents outstanding			
Average common shares outstanding	60	60	60
Common shares issuable upon exercise of stock options	1	-	-
Share adjustment for prepaid contribution to leveraged employee stock ownership plan (LESOP)	-	(1)	(2)
	61	59	58
Earnings (loss) per share	\$2.94	\$2.26	\$(5.75)
Earnings (loss) per share assuming full dilution			
Income (loss) available to common shares			
Net income (loss)	\$ 197	\$ 142	\$ (336)
ACI equity income and Ashland's share of ACI's cumulative effect of accounting changes (net of income taxes)	-	(25)	(4)
Ashland's share of ACI earnings per share assuming full dilution (net of income taxes)	-	21	4
Interest on convertible debentures (net of income taxes)	5	6	-
	\$ 202	\$ 144	\$ (336)
Average common shares and equivalents outstanding			
Average common shares outstanding	60	60	60
Common shares issuable upon			
Exercise of stock options	1	1	-
Conversion of debentures	2	3	-
Conversion of preferred stock	9	3	-
Share adjustment for prepaid contribution to LESOP	-	(1)	(2)
	72	66	58
Earnings (loss) per share	\$2.79	\$2.20	\$(5.75)

ASHLAND OIL, INC.

SECOND RESTATED ARTICLES
OF INCORPORATION
(INCLUDING ALL AMENDMENTS THERETO)

As Effective May 18, 1993

TABLE OF CONTENTS

RECORDING DATA
SECOND RESTATED ARTICLES OF INCORPORATION
ASHLAND OIL, INC.

Document	Date Filed In Office of Secretary of State of Kentucky	Date Recorded in Office of County Clerk Clerk	Number of Shares Authorized - Explanation
1. Second Restated Articles of Incorporation	January 29, 1987	Boyd Co., KY - January 30, 1987, Arts. of Inc., Book 25, Page 461; Greenup Co., KY - January 30, 1987, Arts. of Inc., Book 9, Page 543	30,000,000 shares Cumulative Preferred Stock, no par value; 150,000,000 shares Common Stock, \$1 par value
2. Certificate and Statement, etc. Establishing and Designating Cumulative Preferred Stock, Series of 1987, etc. of A0I	January 29, 1987	Boyd Co., KY - January 30, 1987, Arts. of Inc., Book 25, Page 470; Greenup Co., KY - January 30, 1987, Arts. of Inc., Book 9, Page 552	10,000,000 shares initially issuable
3. Amendment No. 1	January 28, 1988	Boyd Co., KY - January 29, 1988, Arts. of Inc., Book 25, Page 954; Greenup Co., KY - January 29, 1988, Arts. of Inc., Book 10, Page 169	New Article X
4. Amendment No. 2	January 27, 1989	Boyd Co., KY - January 30, 1989, Arts. of Inc., Book 26, Page 522; Greenup Co., KY - January 30, 1989, Arts. of Inc., Book 10, Page 423	New Article XI
5. Amendment No. 3	May 18, 1993	Boyd Co., KY - May 18, 1993, Arts. of Inc., Book 30, Page 59; Greenup Co., KY - May 18, 1993, Arts. of Inc., Book 12, Page 322	6,000,000 shares of \$3.125 Cumulative Convertible Preferred Stock, no par value

[STAMP]
ORIGINAL COPY
FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY
JANUARY 29, 1987
12:45 PM

SECOND RESTATED ARTICLES OF INCORPORATION
OF
ASHLAND OIL, INC.

Pursuant to Section 271A.320 of the Kentucky Business Corporation Act, Ashland Oil, Inc., pursuant to a resolution duly adopted by its Board of Directors, hereby adopts the following Second Restated Articles of Incorporation (hereinafter called the "Articles of Incorporation"):

ARTICLE I

The name of the corporation is Ashland Oil, Inc. (hereinafter called the "Company" or the "Corporation").

ARTICLE II

The purpose for which the Company is organized is the transaction of any or all lawful businesses for which corporations may be organized under the Kentucky Business Corporation Act, or any act amendatory thereof, supplemental thereto or substituted therefor (hereinafter called the "Act"), and to do all things necessary, convenient, proper or desirable in connection with or incident to any of the Company's businesses.

ARTICLE III

A. The Company shall have all the powers conferred upon a corporation organized under the Act and shall have all powers necessary, convenient or desirable in order to fulfill and further the purpose of the Company.

B. The Company shall have the power to purchase shares of the stock of the Company to the extent of unreserved and unrestricted capital and earned surplus of the Company and to any greater extent permitted by the Act.

C. The Board of Directors of the Company may distribute to the shareholders of the Company a portion of the Company's assets, in cash or property, out of capital surplus of the Company and from any other source permitted by the Act.

ARTICLE IV

A. The aggregate number of shares which the Company is authorized to issue is 30,000,000 shares of Cumulative Preferred Stock, without par value (hereinafter called the "Preferred Stock"), and 150,000,000 shares of Common Stock, par value \$1.00 per share (hereinafter called the "Common Stock").

B. Preferred Stock

(1) To the extent permitted by the Act, the Board of Directors is authorized, by resolution, to cause the Preferred Stock to be divided into and issued from time to time in one or more series and to fix and determine the designation and number of shares, and the relative rights and preferences of the shares, of each such series, and to change shares of one series that have been redeemed or reacquired into shares of another series.

(2) All shares of Preferred Stock shall rank equally and be identical in all respects except as to the relative rights and preferences of any series fixed and determined by the Board of Directors, which may vary to the extent permitted by the Act.

(3) The Preferred Stock shall be preferred over the Common Stock as to payment of dividends. Before any dividends or distributions (other than dividends or distributions payable in Common Stock) on the Common Stock shall be declared and set apart for payment or paid, the holders of shares of each series of Preferred Stock shall be entitled to receive dividends (either in cash, shares of Common Stock or Preferred Stock, or otherwise) when, as and if declared by the Board of Directors, at the rate and on the date or dates fixed in the resolution adopted by the Board of Directors establishing such series, and no more. With respect to each series of Preferred Stock, the dividends on each share of such series shall be cumulative from the date of issue of such share unless some other date is fixed in the resolution adopted by the Board of Directors establishing such series. Accruals of dividends shall not bear interest.

(4) The Preferred Stock shall be preferred over the Common Stock as to assets so that the holders of each series of Preferred Stock shall be entitled to be paid, upon the voluntary or involuntary liquidation, dissolution or winding up of the Company and before any distribution is made to the holders of Common Stock, the amount fixed in the resolution adopted by the Board of Directors establishing such series, but in such case the holders of such series of Preferred Stock shall not be entitled to any other or further payment. If upon any such liquidation, dissolution or winding up of the Company its net assets shall be insufficient to permit the payment in full of the respective amounts to which the holders of all outstanding Preferred Stock are entitled, the entire remaining net assets of the Company shall be distributed among the holders of each series of Preferred Stock in amounts proportionate to the full amounts to which the holders of each such series are respectively so entitled. For purposes of this paragraph (4), the voluntary sale, lease, exchange or transfer of all or substantially all of the Company's property or assets to, or its consolidation or merger with, one or more corporations shall not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Company.

(5) All shares of any series of Preferred Stock shall be redeemable to the extent permitted by the Act and fixed in the resolution adopted by the Board of Directors establishing such series. All shares of any series of Preferred Stock shall be convertible into shares of Common Stock or into shares of any other series of Preferred Stock to the extent permitted by the Act and fixed in the resolution adopted by the Board of Directors establishing such series.

(6) Unless otherwise provided herein or by the Act, or unless otherwise provided in the resolution adopted by the Board of Directors establishing any series of Preferred Stock, the holders of shares of Preferred Stock shall be entitled to one vote for each share of Preferred Stock held by them on all matters properly presented to shareholders, the holders of Common Stock and the holders of all series of Preferred Stock voting together as one class.

(7) So long as any shares of Preferred Stock are outstanding, the Company shall not:

(a) Redeem, purchase or otherwise acquire any shares of Common Stock if at the time of making such redemption, purchase or acquisition, the Company shall be in default with respect to any dividends accrued on, or any obligation to retire, shares of Preferred Stock.

(b) Without the affirmative vote or consent of the holders of at least 66 2/3 percent of the number of shares of Preferred Stock at the time outstanding, voting or consenting (as the case may be) separately as a class without regard to series, given in person or by proxy, either in writing or by resolution adopted at a meeting called for the purpose, (i) create any class of stock ranking prior to the Preferred Stock as to dividends or upon liquidation or increase the authorized number of shares of any such class of stock or (ii) alter or change any of the provisions of these Articles of Incorporation so as adversely to affect the relative rights and preferences of the Preferred Stock or (iii) increase the authorized number of shares of Preferred Stock.

(c) Without the affirmative vote or consent of the holders of at least 66 2/3 percent of the number of shares of any series of Preferred Stock at the time outstanding, voting or consenting (as the case may be) separately as a series, given in person or by proxy, either in writing or by resolution adopted at a meeting called for the purpose, alter or change any of the provisions of these Articles of Incorporation so as adversely to affect the relative rights and preferences of such series.

C. Common Stock

(1) The holders of Common Stock of the Company shall be entitled to one vote for each share of Common Stock held by them on all matters properly presented to shareholders, except as otherwise provided herein or by the Act.

(2) Subject to the preferential rights of Preferred Stock set forth herein or in the resolution adopted by the Board of Directors establishing any series of Preferred Stock, such dividends (either in cash, shares of Common Stock or Preferred Stock, or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time in accordance with the Act.

D. No holder of shares of any class of stock of the Company shall have any preemptive right to subscribe to stock, obligations, warrants, subscription rights or other securities of the Company of any class, whether now or hereafter authorized.

ARTICLE V

The Company shall have perpetual existence.

ARTICLE VI

Subject to the restriction that the number of directors shall not be less than the number required by the laws of the Commonwealth of Kentucky, the number of directors may be fixed, from time to time, pursuant to the By-laws of the Company.

The members of the Board of Directors (other than those who may be elected by the holders of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of these Articles of Incorporation or of such class or series of stock) shall be classified (so long as the Board of Directors shall consist of at least nine members pursuant to the By-laws), with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the By-laws of the Company, one class to be originally elected for a term expiring at the annual meeting of the shareholders to be held in 1987, another class to be originally elected for a term expiring at the annual meeting of the shareholders to be held in 1988, and another class to be originally elected for a term expiring at the annual meeting of the shareholders to be held in 1989, with each class to hold office until the successors of such class are elected and qualified. At each annual meeting of the shareholders, the date of which shall be fixed by or pursuant to the By-laws of the Company, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

Subject to any requirements of law and the rights of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of these Articles of Incorporation or of such class or series of stock (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series), the affirmative vote of the holders of 80 percent or more of the voting power of the then outstanding voting stock of the Company, voting together as a single class, shall be required to remove any director without cause. For purposes of this Article VI, "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Company, other than any such failure resulting from incapacity due to physical or mental illness, or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Company. As used in these Articles of Incorporation, "voting stock" shall mean shares of capital stock of the Company entitled to vote generally in an election of directors.

Subject to any requirements of law and the rights of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of these Articles of Incorporation or of such class or series of stock, newly created directorships resulting from any

increase in the number of directors may be filled by the Board of Directors, or as otherwise provided in the By-laws, and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall only be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, or as otherwise provided in the By-laws. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified.

ARTICLE VII

In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors is expressly authorized to:

A. adopt any By-laws that the Board of Directors may deem necessary or desirable for the efficient conduct of the affairs of the Company, including, but not limited to, provisions governing the conduct of, and the matters which may properly be brought before, annual or special meetings of the shareholders and provisions specifying the manner and extent to which prior notice shall be given of the submission of proposals to be considered at any such meeting or of nominations for election of directors to be held at any such meeting; and

B. repeal, alter or amend the By-laws.

In addition to any requirements of law and any other provisions of these Articles of Incorporation or the terms of any class or series of capital stock having a preference over the Common Stock as to dividends or upon liquidation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series), the affirmative vote of the holders of 80 percent or more of the voting power of the then outstanding voting stock of the Company, voting together as a single class, shall be required to amend, alter or repeal any provision of the By-laws.

ARTICLE VIII

A. A higher than majority vote of shareholders for certain Business Combinations shall be required as follows:

(1) In addition to any affirmative vote otherwise required by law or these Articles of Incorporation or the terms of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series) and except as otherwise expressly provided in Section B of this Article VIII:

(a) any merger or consolidation of the Company or any Subsidiary with an Interested Shareholder or with any other corporation, whether or not itself an Interested Shareholder, which is, or after such merger or consolidation would be, an Affiliate of an Interested Shareholder who was an Interested Shareholder prior to the transaction;

(b) any sale, lease, transfer, or other disposition, other than in the ordinary course of business, in one transaction or a series of transactions in any twelve-month period, to any Interested Shareholder or any Affiliate of an Interested Shareholder, other than the Company or any Subsidiary, of any assets of the Company or any Subsidiary having, measured at the time the transaction or transactions are approved by the Board of Directors, an aggregate book value as of the end of the Company's most recently ended fiscal quarter of 5 percent or more of the total market value of the outstanding stock of the Company or of its net worth as of the end of its most recently ended fiscal quarter;

(c) the issuance or transfer by the Company or any Subsidiary, in one transaction or a series of transactions in any twelve-month period, of any equity securities of the Company or any Subsidiary which have an aggregate market value of 5% or more of the total market value of the outstanding stock

of the Company, determined as of the end of the Company's most recently ended fiscal quarter prior to the first such issuance or transfer, to any Interested Shareholder or any Affiliate of any Interested Shareholder, other than the Company or any Subsidiary, except pursuant to the exercise of warrants or rights to purchase securities offered pro rata to all holders of the Company's voting stock or any other method affording substantially proportionate treatment to the holders of voting stock;

(d) the adoption of any plan or proposal for the liquidation or dissolution of the Company in which anything other than cash will be received by an Interested Shareholder or any Affiliate of an Interested Shareholder; or

(e) any reclassification of securities, including any reverse stock split; any recapitalization of the Company; any merger or consolidation of the Company with any Subsidiary; or any other transaction which has the effect, directly or indirectly, in one transaction or a series of transactions, of increasing by 5 percent or more the proportionate amount of the outstanding shares of any class of equity securities of the Company or any Subsidiary which is directly or indirectly beneficially owned by any Interested Shareholder or any Affiliate of any Interested Shareholder;

shall require the recommendation of the Board of Directors and the affirmative vote of the holders of at least (i) 80 percent of the voting power of the then outstanding voting stock of the Company, voting together as a single class, and (ii) two-thirds of the voting power of the then outstanding voting stock other than voting stock beneficially owned by the Interested Shareholder who is, or whose Affiliate is, a party to the Business Combination or by an Affiliate or Associate of such Interested Shareholder, voting together as a single class.

(2) The term "Business Combination" as used in this Article VIII shall mean any transaction which is referred to in any one or more of clauses (a) through (e) of paragraph (1) of Section A of this Article VIII.

B. The provisions of Section A of this Article VIII shall not be applicable to any Business Combination, and such Business Combination shall require only such affirmative vote (if any) as is required by law, any other provision of these Articles of Incorporation or the terms of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation, if all conditions specified in either of the following paragraphs (1) or (2) are met:

(1) The Business Combination shall have been approved by resolution by a majority of the Continuing Directors at a meeting of the Board of Directors at which a quorum consisting of at least a majority of the then Continuing Directors was present; or

(2) All the following five conditions have been met:

(a) The aggregate amount of the cash and the market value as of the Valuation Date of consideration other than cash to be received per share by holders of Common Stock in such Business Combination is at least equal to the highest of the following:

(i) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of Common Stock (a) within the two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) the market value per share of Common Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iii) the price per share equal to the market value per share of Common Stock determined pursuant to clause (ii) immediately preceding, multiplied by the fraction resulting from (a) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date, over (b) the market value per share of Common Stock on the first day in such two-year period on which the Interested Shareholder acquired any shares of Common Stock.

(b) The aggregate amount of the cash and the market value as of the Valuation Date of consideration other than cash to be received per share by holders of shares of any class or series of outstanding stock other than Common Stock is at least equal to the highest of the following, whether or not the Interested Shareholder has previously acquired any shares of a particular class or series of stock:

(i) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of such class of stock acquired by it (a) within the two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) the highest preferential amount per share to which the holders of shares of such class of stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company;

(iii) the market value per share of such class of stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iv) the price per share equal to the market value per share of such class of stock determined pursuant to clause (iii) immediately preceding, multiplied by the fraction resulting from (a) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of any class of voting stock acquired by it within the two-year period immediately prior to the Announcement Date over (b) the market value per share of the same class of voting stock on the first day in such two-year period on which the Interested Shareholder acquired any shares or the same class of voting stock.

(c) In making any price calculation under paragraph (2) of this Section B, appropriate adjustments shall be made to reflect any reclassification or stock split (including any reverse stock split), stock dividend, recapitalization, reorganization or any similar transaction which has the effect of increasing or reducing the number of outstanding shares of the stock. The consideration to be received by holders of any class or series of outstanding stock is to be in cash or in the same form as the Interested Shareholder has previously paid for shares of the same class or series of stock. If the Interested Shareholder has paid for shares of any class of stock with varying forms of consideration, the form of consideration for such class of stock shall be either in cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by it.

(d) After the Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:

(i) there shall have been no failure to declare and pay at the regular date thereof any full periodic dividends, whether or not cumulative, on any outstanding Preferred Stock of the Company or other capital stock entitled to a preference over the Common Stock as to dividends or upon liquidation;

(ii) there shall have been no reduction in the annual rate of dividends paid on the Common Stock, except as necessary to reflect any subdivision of the Common Stock, and no failure to increase the annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or other similar transaction which has the effect of reducing the number of outstanding shares of Common Stock; and

(iii) the Interested Shareholder did not become the beneficial owner of any additional shares of stock of the Company except as part of the transaction which resulted in such Interested Shareholder or by virtue of proportionate stock splits or stock dividends.

The provisions of clauses (i) and (ii) immediately preceding shall not apply if neither an Interested Shareholder nor any Affiliate or Associate of an Interested Shareholder voted as a director of the Company in a manner inconsistent with such clauses and the Interested Shareholder, within ten days after any act or failure to act inconsistent with such clauses, notifies the Board of Directors of the Company in writing that the Interested Shareholder disapproves thereof and requests in good faith that the Board of Directors rectify such act or failure to act.

(e) After the Interested Shareholder has become an Interested Shareholder, the Interested Shareholder shall not have received the benefit, directly or indirectly, except proportionately as a shareholder, of any loans, advances, guarantees, pledges or other financial assistance provided by the Company or any Subsidiary, whether in anticipation of or in connection with such Business Combination or otherwise.

C. For purposes of this Article VIII:

(1) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 1, 1985 (the term "registrant" in such Rule 12b-2 meaning in this case the Company).

(2) "Announcement Date" means the first general public announcement of the proposal or intention to make a proposal of the Business Combination or its first communication generally to shareholders of the Company, whichever is earlier.

(3) "Beneficial owner" when used with respect to any voting stock, means a person who, individually or with any Affiliate or Associate has:

(i) the right to acquire voting stock, whether such right is exercisable immediately or only after the passage of time and whether or not such right is exercisable only after specified conditions are met pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise;

(ii) the right to vote voting stock pursuant to any agreement, arrangement, or understanding; or

(iii) any agreement, arrangements, or understanding for the purpose of acquiring, holding, voting or disposing of voting stock with any other person who beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, such shares of voting stock.

(4) "Continuing Director" means any member of the Board of Directors who is not an Affiliate or Associate of an Interested Shareholder or any of its Affiliates, other than the Company or any Subsidiary, and who was a director of the Company prior to the time the Interested Shareholder became an Interested Shareholder, and any other member of the Board of Directors who is not an Affiliate or Associate of an Interested Director or any of its Affiliates, other than the Company or any Subsidiary, and was recommended or elected by a majority of the Continuing Directors at a meeting at which a quorum consisting of a majority of the Continuing Directors is present.

(5) "Determination Date" means the date on which an Interested Shareholder first became an Interested Shareholder.

(6) "Equity security" means:

(a) any stock or similar security, certificate of interest, or participation in any profit-sharing agreement, voting trust certificate, or certificate of deposit for the foregoing;

(b) any security convertible, with or without consideration, into an equity security, or any warrant or other security carrying any right to subscribe to or purchase an equity security; or

(c) any put, call, straddle, or other option, right or privilege of acquiring an equity security from or selling an equity security to another without being bound to do so.

(7) "Interested Shareholder" means any person, other than the Company or any Subsidiary, who:

(a) is the beneficial owner, directly or indirectly, of 10 percent or more of the voting power of the outstanding voting stock of the Company; or

(b) is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10 percent or more of the voting power of the then outstanding voting stock of the Company.

For the purpose of determining whether a person is an Interested Shareholder, the number of shares of voting stock deemed to be outstanding shall include shares deemed owned by the person through application of paragraph (3) of this Section C but shall not include any other shares of voting stock which may be issuable pursuant to any agreement, arrangement, or understanding, or upon exercise of conversion rights, warrants or options, or otherwise. Furthermore, any such beneficial ownership or voting power arising solely out of a trustee or custodial relationship of any person in connection with a Company "employee benefit or stock plan" shall be excluded for purposes of determining whether or not any such person is an Interested Stockholder. For purposes hereof, the term "employee benefit or stock plan" of the Company shall mean any option, bonus, appreciation, profit sharing, retirement, incentive, thrift, employee stock ownership, dividend reinvestment, savings or similar plan of the Company.

(8) "Market value" means:

(a) in the case of stock, the highest closing sale price during the 30 calendar day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange listed stocks, or, if such stock is not quoted on such Composite Tape, on the New York Stock Exchange, or if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30 calendar day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors at a meeting of the Board of Directors at which a quorum consisting of at least a majority of the then Continuing Directors is present; and

(b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors at a meeting of the Board of Directors at which a quorum consisting of at least a majority of the then Continuing Directors is present.

(9) "Subsidiary" means any corporation of which voting stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by the Company.

(10) "Valuation Date" means:

(a) for a Business Combination voted upon by shareholders, the later of the day prior to the date of the shareholders' vote or the date 20 business days prior to the consummation of the Business Combination; and

(b) for a Business Combination not voted upon by shareholders, the date of the consummation of the Business Combination.

(11) "Voting Stock" means shares of capital stock of the Company entitled to vote generally in an election of directors.

D. In addition to any requirements of law and any other provisions of these Articles of Incorporation or the terms of any class or series of capital stock of the Company entitled to a preference over the Common Stock as to dividends or upon liquidation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series), the affirmative vote of

(1) the holders of at least 80 percent of the voting power of the then outstanding voting stock of the Company, voting together as a single class, and

(2) the holders of at least two-thirds of the voting power of the then outstanding voting stock of the Company other than the Interested Shareholder, voting together as a single class,

shall be required to amend, alter or repeal, or adopt any provision inconsistent with, this Article VIII.

[STAMP]
LODGED FOR RECORD ON
THE 30 DAY OF JUNE
1987 AT 9:57 AM. RECORDED
IN ART OF INC. BOOK
NO. 9 PAGE 552
TAX _____ FEES \$5.50
DONALD DAVIDSON, CLERK
GREENUP COUNTY
BY JOAN BURNETT, D.C.

[STAMP]
LODGED FOR RECORD ON
THE 30 DAY OF JANUARY
1987 AT 10:47 AM. RECORDED
IN ART OF INC. BOOK
NO. 25 PAGE 470
TAX \$ _____ FEE \$5.50
WILLIAM A. SELBEE, CLERK
BOYD COUNTY
BY: DONNA MARCUM, D.C.

[STAMP]
ORIGINAL COPY
FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY
JANUARY 29, 1987
12:50 PM
DREXELL R. DAVIS

ASHLAND OIL, INC.
CERTIFICATE AND STATEMENT OF RESOLUTION ESTABLISHING AND
DESIGNATING CUMULATIVE PREFERRED STOCK, SERIES
OF 1987, AND FIXING AND DETERMINING CERTAIN RIGHTS
THEREOF AND THE NUMBER OF SHARES INITIALLY ISSUABLE

KNOW ALL MEN BY THESE PRESENTS, that THOMAS L. FEAZELL, as a Vice President, and JOHN P. WARD, as the Secretary, of ASHLAND OIL INC., a Kentucky corporation (the "Company"), do hereby certify that at a meeting of the Board of Directors of the Company duly called and held in accordance with the laws of Kentucky and the By-laws of the Company on January 29, 1987, the following resolution establishing and designating the Series of 1987 of the Cumulative Preferred Stock of the Company and fixing and determining certain rights thereof and the number of shares initially issuable was duly adopted.

"RESOLVED, that, pursuant to the authority expressly granted to and vested in the Board of Directors of the Company (the "Board of Directors") by the Second Restated Articles of Incorporation of the Company (the "Articles"), this Board of Directors hereby establishes and designates a series of Cumulative Preferred Stock, without par value, of the Company and fixes and determines the number of shares to be initially issuable in such series and the relative rights and preferences thereof (in addition to the relative rights and preferences thereof set forth in the Articles which are applicable to Cumulative Preferred Stock of all series) as follows:

SECTION 1. Designation, Number of Shares and Stated Value. The shares of such series shall be designated as "Cumulative Preferred Stock, Series of 1987" (the "Series 1987 Preferred Stock"). The stated value per share of the Series 1987 Preferred Stock shall be \$25. The number of shares initially issuable and constituting the Series 1987 Preferred Stock shall be 10,000,000.

SECTION 2. Dividends or Distributions. (a) The dividend rate for shares of the Series 1987 Preferred Stock shall be per share per annum the amount of cash, securities or other property equal to the sum of the Formula Amounts with respect to each quarterly dividend payable pursuant to Section 2(b) hereof on the Series 1987 Preferred Stock. The Formula Amount with respect to each such quarterly dividend payable shall be the greater of (1) \$1.25 or (2) the Formula Number then in effect times the aggregate per whole share amount of (x) dividends payable in cash and (y) dividends or distributions payable in assets, securities or other forms of non-cash consideration (other than dividends or distributions solely in shares of common stock, par value \$1.00 of the Company or any stock into which such common stock may be reclassified or changed as contemplated by the second proviso of this Section 2(a) (the "Common Stock")), declared on the Common Stock since the immediately preceding date on which a quarterly dividend was payable under Section 2(b) hereof on the Series 1987 Preferred Stock (a "Quarterly Dividend Payment Date") or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series 1987 Preferred Stock. For purposes of the preceding sentence, the aggregate per whole share amount of all non-cash dividends or distributions with respect to each quarterly payment of dividends on the Series 1987 Preferred Stock shall be the cash amount equivalent to the fair market value of all non-cash dividends or distributions as determined by the Board of Directors, which determination shall be final and binding. On or before the record date fixed or determined pursuant to Section 2(b) hereof for each Quarterly Dividend Payment Date after the date of issuance of any shares of the Series 1987 Preferred Stock, the Company shall submit for filing with the Secretary of State of the Commonwealth of Kentucky a certificate which sets forth the dividend payable for each share of the Series 1987 Preferred Stock on such Quarterly Dividend Payment Date determined in accordance with the provisions of this Section 2(a). As used herein, the "Formula Number" shall be 10; provided, however, that if at any time after January 29, 1987, the Company shall (i) pay a dividend (regardless of when declared) or make a distribution, on its outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) or split the outstanding shares of Common Stock into a larger number of shares of Common Stock, or (iii) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares that are outstanding

immediately prior to such event (and rounding the result to the nearest whole number); and provided further that if at any time after January 29, 1987, the Company shall reclassify or change the outstanding shares of Common Stock into some other stock (including any such reclassification or change in connection with a merger in which the Company is the surviving corporation), then in such event the Formula Number shall be appropriately adjusted to reflect such reclassification or change.

(b) Except as otherwise provided in the provisions of Article IV of the Articles, and unless prohibited by Kentucky law, the Company shall declare a dividend or distribution on the Series 1987 Preferred Stock as provided in Section 2(a), out of funds legally available therefor, immediately prior to the time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution in shares of Common Stock), and such dividend or distribution on the Series 1987 Preferred Stock shall (except as otherwise provided in Article IV of the Articles) be payable on the same date on which the corresponding dividend or distribution on the Common Stock is payable, to holders of shares of Series 1987 Preferred Stock of record at the close of business on the record date fixed by the Board of Directors, which shall (except as otherwise provided in Article IV of the Articles) be the same as the record date for the corresponding dividend or distribution on the Common Stock; provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the three month period after any Quarterly Dividend Payment Date (or with respect to the first Quarterly Dividend Payment Date during the three month period after the first issuance of any share or fraction of a share of Series 1987 Preferred Stock), a dividend of \$1.25 per share on the Series 1987 Preferred Stock shall, unless prohibited by Kentucky law, nevertheless be payable, out of funds legally available therefor, 30 days after the last day of such three month period to holders of shares of Series 1987 Preferred Stock of record at the close of business on the record date, which shall (except as otherwise provided in Article IV of the Articles) be 5 days after the last day of such three month period.

SECTION 3. Voting Rights. Except as otherwise provided in the provisions of Article IV of the Articles and by the provisions of applicable law, the holders of shares of Series 1987 Preferred Stock shall have the following voting rights:

(a) Each holder of record of one whole share of the Series 1987 Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect on all matters on which holders of the Common Stock or stockholders generally are entitled to vote. Each holder of record of a fraction of a share of the Series 1987 Preferred Stock shall be entitled, for each one-tenth (1/10th) of a share, to a number of votes equal to one-tenth (1/10th) of the Formula Number then in effect on all matters on which holders of the Common Stock or stockholders generally are entitled to vote; and

(b) The holders of shares of Series 1987 Preferred Stock and the holders of shares of Common Stock shall vote together as one class for the election of directors of the Company and on all other matters submitted to a vote of stockholders of the Company.

SECTION 4. Liquidation Rights. Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, and before any distribution is made to the holders of Common Stock, the holder of each full share or fraction of a share of Series 1987 Preferred Stock shall be entitled to be paid an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount per whole share equal to the greater of (1) \$25 per share or (2) the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock.

SECTION 5. Consolidation, Merger, etc. Except as otherwise provided in Article IV of the Articles, in case the Company shall enter into any consolidation, merger, combination or other transaction in which the outstanding shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the then outstanding shares of Series 1987 Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed.

SECTION 6. No Redemption. Except as otherwise provided in Section 5, the shares of Series 1987 Preferred Stock shall not be subject to redemption by the Company or at the option of any holder of Series 1987 Preferred

Stock; provided, however, that the Company may purchase or otherwise acquire outstanding shares of Series 1987 Preferred Stock in the open market or by offer to any holder or holders of shares of Series 1987 Preferred Stock.

SECTION 7. Fractional Shares. The Series 1987 Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement dated as of May 15, 1986, between the Company and The Chase Manhattan Bank, N.A., as Rights Agent, as amended, (a copy of which is filed with the Securities and Exchange Commission), in whole shares or, at the option of the Company, in any fraction of a share that is one-tenth (1/10th) of a share or any integral multiple of such fraction. At the election of the Company prior to the first issuance of a share or a fraction of a share of Series 1987 Preferred Stock, either (1) certificates may be issued to evidence any such authorized fraction of a share of Series 1987 Preferred Stock, or (2) any such authorized fraction of a share of Series 1987 Preferred Stock may be evidenced by scrip or warrants in registered form which shall entitle the holder thereof to receive a certificate for a full share upon the surrender of such scrip or warrants aggregating a full share. The holders of such scrip or warrants shall have all the rights, privileges and preferences to which the holders of fractional shares are entitled. In lieu of such fractional shares or scrip or warrants, the Company may pay registered holders cash equal to the same fraction of the current market value of a share of Series 1987 Preferred Stock (if any are outstanding) or the equivalent number of shares of Common Stock.

SECTION 8. Amendments. The Board of Directors reserves the right by subsequent amendment of this resolution from time to time to increase and, in its discretion, to decrease the number of shares issuable in this series and in other respects to amend this resolution within the limitations provided by Kentucky law and the Articles.

SECTION 9. Definitions. For purposes of this resolution, all terms defined in the Articles shall have the same meaning herein, except as otherwise specifically provided herein."

IN TESTIMONY WHEREOF, witness our signatures this 29th day of January, 1987.

/Thomas L. Feazell/

Thomas L. Feazell
Vice President

/John P. Ward/

John P. Ward
Secretary

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF GREENUP)

I, Teresa F. Gabbard, a Notary Public, do hereby certify that on this 29th day of January, 1987, personally appeared before me JOHN P. WARD, who being by me first duly sworn, declared that he is the Secretary of ASHLAND OIL, INC., and that he signed the foregoing document as Secretary of the Company and that the statements therein contained are true.

/TERESA F. GABBARD/

Notary Public

Prepared by:
John P. Ward
1989
1000 Ashland Drive
Russell, Kentucky 41169

[STAMP]
TERESA F. GABBARD
My Commission expires October 9,

/John P. Ward/

John P. Ward

[STAMP]
LODGED FOR RECORD ON
THE 30 DAY OF JANUARY
1987 AT 10:46 AM. RECORDED
IN ART OF INC. BOOK
NO. 25 PAGE 461
TAX _____ FEES \$14.50
WILLIAM A. SELBEE, CLERK
BOYD COUNTY
BY: DONNA MARCUM, D.C.

[STAMP]
LODGED FOR RECORD ON
THE 30 DAY OF JANUARY
1987 AT 9:56 AM. RECORDED
IN ART OF INC. BOOK
NO. 9 PAGE 543
TAX \$ _____ FEE \$14.50
DONALD L. DAVIDSON, CLERK
GREENUP COUNTY
BY JOAN BURNETT, D.C.

[STAMP]
ORIGINAL COPY FILED
SECRETARY OF STATE OF KENTUCKY,
FRANKFORT, KENTUCKY
JAN 28, 1988
11:05 AM
BREMER EHRLER
SECRETARY OF STATE

AMENDMENT TO SECOND RESTATED
ARTICLES OF INCORPORATION
OF ASHLAND OIL, INC.
AMENDMENT NO. 1

KNOW ALL MEN BY THESE PRESENTS, that Thomas L. Feazell, as Vice President, and John P. Ward, as Secretary of Ashland Oil, Inc., a Kentucky corporation (the "Company") do hereby certify that, at a meeting on January 28, 1988 of the holders of its issued and outstanding stock, which meeting was duly called upon notice of the specific purpose, the holders of a majority of the outstanding stock entitled to vote adopted a new Article X of the Second Restated Articles of Incorporation (the "Articles") of the Company which reads in its entirety as follows:

Notwithstanding any right to indemnification provided by the Act to any director, officer, employee or agent of the Company, the Company may, but shall not be required to, to the maximum extent permitted by law, indemnify any such person against costs and expenses (including but not limited to attorneys' fees) and any liabilities (including but not limited to judgments, fines, penalties and settlements) paid by or imposed against any such person in connection with any actual or threatened claim, action, suit or proceeding, whether civil, criminal, administrative, legislative, investigative or other (including any appeal relating thereto) and whether made or brought by or in the right of the Company or otherwise, in which any such person is involved, whether as a party, witness, or otherwise, because he or she is or was a director, officer, employee or agent of the Company or a director, officer, partner, trustee, employee or agent of any other corporation, partnership, employee benefit plan or other entity.

The indemnification authorized by this Article X shall not supersede or be exclusive of any other right of indemnification which any such person may have or hereafter acquire under any provision of these Articles or the By-laws of the Company, agreement, vote of shareholders or disinterested directors or otherwise. The Company may take such steps as may be deemed appropriate by the Board of Directors to provide indemnification to any such person, including, without limitation, entering into contracts for indemnification between the Company and individual directors, officers, employees or agents which may provide rights to indemnification which are broader or otherwise different than the rights authorized by this Article. The Company may take such steps as may be deemed appropriate by the Board of Directors to secure, subject to the occurrence of such conditions or events as may be determined by the Board of Directors, the payment of such amounts as are required to effect any indemnification permitted or authorized by this Article, including, without limitation, purchasing and maintaining insurance, creating a trust fund, granting security interests or using other means (including, without limitation, irrevocable letters of credit).

Any amendment or repeal of this Article X shall operate prospectively only and shall not affect any action taken, or failure to act, by the Company or any such person prior to such amendment or repeal.

IN TESTIMONY WHEREOF, witness our signatures this 28th day of January, 1988.

/Thomas L. Feazell/

/John P. Ward/

Thomas L. Feazell, Vice President

John P. Ward, Secretary

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF GREENUP) SS:

I, Valerie J. Parks, Notary Public, do hereby certify that on this 28th day of January, 1988, personally appeared before me JOHN P. WARD, who being by me first duly sworn, declared that he is the Secretary of ASHLAND OIL, INC., and that he signed the foregoing document as such and that the statements therein contained are true.

/VALERIE J. PARKS/

VALERIE J. PARKS

[STAMP]
VALERIE J. PARKS
My Commission expires November 11,
1990

Prepared by John P. Ward
1000 Ashland Drive,
Russell, Kentucky

/John P. Ward/

John P. Ward

[STAMP]
LODGED FOR RECORD ON
THE 29th DAY OF JANUARY
1988 AT 10:55 AM. RECORDED
IN ART OF INC. BOOK
NO. 25 PAGE _____
TAX _____ FEES \$5.50
WILLIAM A. SELBEE, CLERK
BOYD COUNTY
BY: D.R. MARCUM, D.C.

[STAMP]
LODGED FOR RECORD ON
THE 29 DAY OF JANUARY
1988 AT 10:15 AM. RECORDED
IN ART OF INC. BOOK
NO. 10 PAGE 169
TAX \$ _____ FEE \$5.50
DONALD L. DAVIDSON, CLERK
GREENUP COUNTY
BY: MARY STULTZ, D.C.

[STAMP]
DATE: JANUARY 27, 1989
TIME: 2:02 PM
AMOUNT: \$40.00
BREMER EHRLER
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY

ARTICLES OF AMENDMENT
TO
SECOND RESTATED ARTICLES OF INCORPORATION
OF ASHLAND OIL, INC.

AMENDMENT NO. 2

Pursuant to the provisions of Section 271B.10-060 of the Kentucky Business Corporation Act, the undersigned corporation adopts the following articles of amendment to its Second Restated Articles of Incorporation:

FIRST: The name of the corporation is Ashland Oil, Inc.

SECOND: At a meeting of the Board of Directors held on November 3, 1988, the Board of Directors proposed that the Second Restated Articles of Incorporation be amended by adding a new Article XI, and directed that the proposed amendment be submitted to the shareholders with the affirmative recommendation of the Board of Directors at a meeting of the company's shareholders to be held on January 26, 1989 (the "Meeting"), which Meeting was duly called upon notice of the specific purpose. The text of the new Article XI is as follows:

ARTICLE XI

No director shall be personally liable to the Company or its shareholders for monetary damages for breach of his duties as a director except to the extent that the applicable law from time to time in effect shall provide that such liability may not be eliminated or limited.

Neither the amendment nor repeal of this Article XI shall affect the liability of any director of the Company with respect to any act or failure to act which occurred prior to such amendment or repeal.

This Article XI is not intended to eliminate or limit any protection otherwise available to the directors of the Company.

THIRD: There were 58,707,121 shares of Ashland Oil, Inc. Common Stock, each of which was entitled to cast one vote, outstanding at December 8, 1988, the record date for the Meeting, which represent all of the shares entitled to vote on such amendment.

FOURTH: There were 50,687,052 shares of Ashland Oil, Inc. Common Stock indisputably represented at the Meeting.

FIFTH: The total number of votes cast for such amendment was 47,745,995 and the total number of votes cast against such amendment was 2,231,353.

Dated January 27, 1989.

ASHLAND OIL, INC.

By: /Thomas L. Feazell/

Thomas L. Feazell
Administrative Vice President
and General Counsel

and

/John P. Ward/

John P. Ward
Secretary

COMMONWEALTH OF KENTUCKY)
COUNTY OF GREENUP)

The foregoing instrument was acknowledged before me this 27th day of January, 1989, by Thomas L. Feazell, Administrative Vice President and General Counsel, and John P. Ward, Secretary, of ASHLAND OIL, INC., a Kentucky corporation, on behalf of the corporation.

/Valerie J. Parks/

Valerie J. Parks
Notary Public

[STAMP]
VALERIE J. PARKS
My Commission Expires November 11,
1990

Prepared by John P. Ward
1000 Ashland Drive
Russell, Kentucky 41114
/John P. Ward/

[STAMP]
LODGED FOR RECORD ON
THE 30 DAY OF JANUARY
1989 AT 9:40 AM. RECORDED
IN ART OF INC. BOOK
NO. 10 PAGE 423
TAX \$_____ FEE \$5.50
DONALD L. DAVIDSON, CLERK
GREENUP COUNTY
BY JOAN BURNETT, D.C.

[STAMP]
NO.
LODGED FOR RECORD
THE 30 DAY OF JAN
1989 AT 10:25 AM RECORDED
IN ART OF INC BOOK
NO. 26 PAGE 522

[STAMP]
RECEIVED & FILED CH \$40.00
MAY 18 10:52 AM '93
BOB BABBAGE
SECRETARY OF STATE
COMMONWEALTH KENTUCKY

ARTICLES OF AMENDMENT
TO
SECOND RESTATED ARTICLES OF INCORPORATION
OF ASHLAND OIL, INC.

AMENDMENT NO. 3

Pursuant to the provisions of Section 271B.10-060 of the Kentucky Business Corporation Act, the undersigned corporation adopts the following articles of amendment to set forth the preferences, limitations and relative rights of a series of shares of its Cumulative Preferred Stock, no par value, under Article IV of its Second Restated Articles of Incorporation:

FIRST: The name of the Corporation is Ashland Oil, Inc.

SECOND: The text of the amendment determining the terms of the series of shares of the Cumulative Preferred Stock is as follows:

I. Designation of Series and Number of Shares to be Issuable Therein. This series of the Cumulative Preferred Stock shall be designated \$3.125 Cumulative Convertible Preferred Stock (hereinafter called the "Convertible Preferred Stock"), of which 6,000,000 shares shall be issuable.

II. Rank. All shares of Convertible Preferred Stock shall rank prior, both as to payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, to all of the Corporation's now or hereafter issued Common Stock (the "Common Stock"), to all of the Corporation's Cumulative Preferred Stock, Series of 1987, when and if issued, and to all of the Corporation's hereafter issued capital stock ranking junior to the Convertible Preferred Stock both as to the payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, when and if issued (the Common Stock, the Cumulative Preferred Stock, Series of 1987, and any such other capital stock being herein referred to as "Junior Stock").

III. Dividends. The holders of Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds at the time legally available therefor, dividends at the rate of \$3.125 per annum per share, and no more, which shall be fully cumulative, shall accrue without interest from the date of the initial issuance of such shares of Convertible Preferred Stock (on a daily basis whether or not such amounts would be available at that time for distribution to holders of shares of Convertible Preferred Stock) and shall be payable in cash quarterly in arrears on March 15, June 15, September 15 and December 15 of each year commencing June 15, 1993 (with respect to the period from such date of initial issuance to June 15, 1993) (except that if any such date is a Saturday, Sunday or legal holiday, then such dividend shall be payable on the next day that is not a Saturday, Sunday or legal holiday) to holders of record as they appear upon the stock transfer books of the Corporation on such record dates, not more than sixty days nor less than ten days preceding the payment dates for such dividends, as are fixed by the Board of Directors (or, to the extent permitted by applicable law, a duly authorized committee thereof). In no event shall any such dividend record date be fixed less than (a) six business days prior to any date fixed for the redemption of the Convertible Preferred Stock or (b) with respect to the dividend payment date occurring on March 15, 1997, less than ten business days prior to any date fixed for such redemption. For purposes hereof, the term "legal holiday" shall mean any day on which banking institutions are authorized to close in New York, New York and the term "business day" shall mean any day other than a Saturday, Sunday or legal holiday. Subject to the next paragraph of this Section III, dividends on account of arrears for any past dividend period may be declared and paid at any time, without reference to any regular dividend payment date. The amount of dividends payable per share of Convertible Preferred Stock for each quarterly dividend period shall be computed by dividing the annual dividend amount by four. The amount of dividends payable for the initial dividend period and any period shorter than a full quarterly period shall be computed on the basis of a 360-day year of twelve 30-day months. No interest shall be payable in respect of any dividend payment on the Convertible Preferred Stock which may be in arrears.

No dividends or other distributions, other than dividends payable solely in shares of Junior Stock, shall be

declared, paid or set apart for payment on shares of Junior Stock or any other capital stock of the Corporation ranking junior as to dividends to the Convertible Preferred Stock (the Junior Stock and any such other class or series of the Corporation's capital stock being herein referred to as "Junior Dividend Stock"), unless and until all accrued and unpaid dividends on the Convertible Preferred Stock for all dividend payment periods ending on or before the payment date of such dividends or other distributions on Junior Dividend Stock shall have been paid or declared and set apart for payment.

No payment on account of the purchase, redemption, retirement or other acquisition of shares of Junior Dividend Stock or any other class or series of the Corporation's capital stock ranking junior to the Convertible Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (the Junior Stock and any other class or series of the Corporation's capital stock ranking junior to the Convertible Preferred Stock as to such distributions being herein referred to as "Junior Liquidation Stock") shall be made unless and until all accrued and unpaid dividends on the Convertible Preferred Stock for all dividend payment periods ending on or before such payment for such Junior Dividend Stock or Junior Liquidation Stock shall have been paid or declared and set apart for payment; provided, however, that the restrictions set forth in this sentence shall not apply to the purchase or other acquisition of Junior Dividend Stock or Junior Liquidation Stock either (A) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted or (B) in exchange solely for Junior Stock.

No full dividends shall be declared, paid or set apart for payment on shares of any class or series of the corporation's capital stock hereafter issued ranking, as to dividends, on a parity with the Convertible Preferred Stock (any such class or series of the Corporation's capital stock being herein referred to as "Parity Dividend Stock") for any period unless full cumulative dividends have been, or contemporaneously are, paid or declared and set apart for such payment on the Convertible Preferred Stock for all dividend payment periods ending on or before the payment date of such dividends on Parity Dividend Stock. No dividends shall be paid on Parity Dividend Stock except on dates on which dividends are paid on the Convertible Preferred Stock. All dividends paid or declared and set apart for payment on the Convertible Preferred Stock and the Parity Dividend Stock shall be paid or declared and set apart for payment pro rata so that the amount of dividends paid or declared and set apart for payment per share on the Convertible Preferred Stock and the Parity Dividend Stock on any date shall in all cases bear to each other the same ratio that accrued and unpaid dividends to the date of payment on the Convertible Preferred Stock and the Parity Dividend Stock bear to each other.

No payment on account of the purchase, redemption, retirement or other acquisition of shares of Junior Stock, Parity Dividend Stock or any class or series of the Corporation's capital stock ranking on a parity with the Convertible Preferred Stock as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (any such class or series of the Corporation's capital stock being herein referred to as "Parity Liquidation Stock") shall be made, and, other than dividends to the extent permitted by the preceding paragraph, no distributions shall be declared, paid or set apart for payment on shares of Parity Dividend Stock or Parity Liquidation Stock, unless and until all accrued and unpaid dividends on the Convertible Preferred Stock for all dividend payment periods ending on or before such payment for, or the payment date of such distributions on, such Parity Dividend Stock or Parity Liquidation Stock shall have been paid or declared and set apart for payment; provided, however, that the restrictions set forth in this sentence shall not apply to the purchase or other acquisition of Parity Dividend Stock or Parity Liquidation Stock either (A) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation hereafter adopted or (B) in exchange solely for Junior Stock.

Any reference to "distribution" contained in this Section III shall not be deemed, except as expressly stated, to include any distribution made in connection with any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

IV. Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Corporation,

whether voluntary or involuntary, the holders of shares of Convertible Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders an amount equal to the dividends accrued and unpaid on such shares on the date of final distribution to such holders, whether or not declared, without interest, plus a sum equal to \$50 per share, and no more, before any payment shall be made or any assets distributed to the holders of shares of Junior Liquidation Stock; provided, however, that such rights shall accrue to the holders of shares of Convertible Preferred Stock only with respect to assets (if any) remaining after the Corporation's payments with respect to the liquidation preferences of the shares of any class or series of the Corporation capital stock hereafter issued ranking prior to the Convertible Preferred Stock as to distributions of assets upon such liquidation, dissolution or winding up ("Senior Liquidation Stock") are fully met. The entire assets of the Corporation available for distribution to shareholders after the liquidation preferences of the shares of Senior Liquidation Stock are fully met shall be distributed ratably among the holders of the Convertible Preferred Stock and Parity Liquidation Stock in proportion to the respective preferential amounts to which each is entitled (but only to the extent of such preferential amounts). After payment in full of the liquidation preferences of the shares of the Convertible Preferred Stock, the holders of such shares shall not be entitled to any further participation in any distribution of assets by the Corporation. The voluntary sale, lease, exchange or transfer of all or substantially all of the Company's property or assets to, or its consolidation or merger with, one or more corporations shall not be deemed to be considered a voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

V. Redemption at Option of the Corporation. The Convertible Preferred Stock may not be redeemed by the Corporation prior to March 25, 1997. On and after such date, the Convertible Preferred Stock may be redeemed by the Corporation, at its option on any date set by the Board of Directors, in whole or in part at any time, subject to the limitations, if any, imposed by the Kentucky Business Corporation Act, for an amount in cash equal to the applicable price per share set forth for the date fixed for redemption in the following table:

Date Fixed for Redemption Price	
On or after March 25, 1997 and on or before March 14, 1998.	\$51.88
After March 14, 1998 and on or before March 14, 1999.....	\$51.56
After March 14, 1999 and on or before March 14, 2000.....	\$51.25
After March 14, 2000 and on or before March 14, 2001.....	\$50.94
After March 14, 2001 and on or before March 14, 2002.....	\$50.63
After March 14, 2002 and on or before March 14, 2003.....	\$50.31
Any date after March 14, 2003.....	\$50.00

plus, in each case, an amount in cash equal to all per share dividends on the Convertible Preferred Stock accrued and unpaid thereon, whether or not declared, to but excluding the date fixed for redemption, such sum being hereinafter referred to as the "Redemption Price".

In case of the redemption of less than all of the then outstanding Convertible Preferred Stock, the Corporation shall designate by lot, or in such other manner as the Board of Directors may determine to be fair, the shares to be redeemed, or shall effect such redemption pro rata. Notwithstanding the foregoing, the Corporation shall not redeem less than all of the Convertible Preferred Stock at any time outstanding until all dividends accrued and in arrears upon all Convertible Preferred Stock then outstanding shall have been paid in full for all past dividend periods.

Not more than ninety nor less than thirty days prior to the date fixed for redemption by the Board of Directors, notice thereof by first class mail, postage prepaid, shall be given to the holders of record of the shares of Convertible Preferred Stock to be redeemed, addressed to such holders at their last addresses as shown upon the stock transfer books of the Corporation. Each such notice of redemption shall specify the date fixed for redemption, the Redemption Price, the place or places of payment, that payment will be made upon presentation and surrender of the shares of Convertible Preferred Stock, that on and after the date fixed for redemption dividends will cease to accrue on such shares, the then-effective conversion price pursuant to Section VI and that the right of holders to convert shares of Convertible Preferred Stock shall terminate at the close of business on

the fifth business day prior to the date fixed for redemption (unless the Corporation defaults in the payment of the Redemption Price).

Any notice that is mailed as herein provided shall be conclusively presumed to have been duly given, whether or not the holder of shares of Convertible Preferred Stock receives such notice; and failure to give such notice by mail, or any defect in such notice, to the holders of any shares designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Convertible Preferred Stock. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the Redemption Price. If less than all the shares evidenced by any such surrendered certificate are redeemed, a new certificate shall be issued evidencing the unredeemed shares.

No fractional shares of Convertible Preferred Stock shall be issued upon redemption of less than all Convertible Preferred Stock. If more than one certificate evidencing shares of Convertible Preferred Stock shall be held at one time by the same holder, the number of full shares issuable upon redemption of less than all of such shares of Convertible Preferred Stock shall be computed on the basis of the aggregate number of shares of Convertible Preferred Stock so held. Instead of any fractional share of Convertible Preferred Stock that would otherwise be issuable to a holder upon redemption of less than all shares of Convertible Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional share in an amount equal to the same fraction of the fair value per share of Convertible Preferred Stock (as determined in good faith by the Board of Directors or in any manner prescribed by the Board of Directors) at the close of business on the date fixed for redemption.

Notice having been given as aforesaid, if, on the date fixed for redemption, funds necessary for the redemption shall be available therefor and shall have been deposited with a bank or trust company with irrevocable instructions and authority to pay the Redemption Price to the holders of the Convertible Preferred Stock, then, notwithstanding that the certificates evidencing any shares so called for redemption shall not have been surrendered, dividends with respect to the shares so called shall cease to accrue on and after the date fixed for redemption, such shares shall no longer be deemed outstanding, the holders thereof shall cease to be shareholders of the Corporation and all rights whatsoever with respect to the shares so called for redemption (except the right of the holders to receive the Redemption Price without interest upon surrender of their certificates therefor) shall terminate. If funds legally available for such purpose are not sufficient for redemption of the shares of Convertible Preferred Stock which were to be redeemed, then the certificates evidencing such shares shall be deemed not to be surrendered, such shares shall remain outstanding and the right of holders of shares of Convertible Preferred Stock thereafter shall continue to be only those of a holder of shares of the Convertible Preferred Stock.

The shares of Convertible Preferred Stock shall not be subject to the operation of any mandatory purchase, retirement or sinking fund.

VI. Conversion Privilege.

(a) Right of Conversion. Each share of Convertible Preferred Stock shall be convertible at the option of the holder thereof, at any time prior to the close of business on the fifth business day prior to the date fixed for redemption of such share as herein provided, into fully paid and nonassessable shares of Common Stock, at the rate of that number of shares of Common Stock for each full share of Convertible Preferred Stock that is equal to \$50 divided by the conversion price applicable per share of Common Stock, or into such additional or other securities, cash or property and at such other rates as required in accordance with the provisions of this Section VI. For purposes of this resolution, the "conversion price" applicable per share of Common Stock shall initially be equal to \$32.343 and shall be adjusted from time to time in accordance with the provisions of this Section VI.

(b) Conversion Procedures. Any holder of shares of Convertible Preferred Stock desiring to convert such shares into Common Stock shall surrender the certificate or certificates evidencing such shares of Convertible

Preferred Stock at the office of the transfer agent for the Convertible Preferred Stock, which certificate or certificates, if the Corporation shall so require, shall be duly endorsed to the Corporation or in blank, or accompanied by proper instruments of transfer to the Corporation or in blank, accompanied by irrevocable written notice to the Corporation that the holder elects so to convert such shares of Convertible Preferred Stock and specifying the name or names (with address or addresses) in which a certificate or certificates evidencing shares of Common Stock are to be issued.

Subject to Section VI(1) hereof, no payments or adjustments in respect of dividends on shares of Convertible Preferred Stock surrendered for conversion or on account of any dividend on the Common Stock issued upon conversion shall be made upon the conversion of any shares of Convertible Preferred Stock and the holder will lose any right to payment of dividends on the shares of Convertible Preferred Stock surrendered for conversion.

The Corporation shall, as soon as practicable after such deposit of certificates evidencing shares of Convertible Preferred Stock accompanied by the written notice and compliance with any other conditions herein contained, deliver at such office of such transfer agent to the person for whose account such shares of Convertible Preferred Stock were so surrendered, or to the nominee or nominees of such person, certificates evidencing the number of full shares of Common Stock to which such person shall be entitled as aforesaid, together with a cash adjustment in respect of any fraction of a share of Common Stock as hereinafter provided. Such conversion shall be deemed to have been made as of the date of such surrender of the shares of Convertible Preferred Stock to be converted, and the person or persons entitled to receive the Common Stock deliverable upon conversion of such Convertible Preferred Stock shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

(c) Adjustment of Conversion Price. The conversion price at which a share of Convertible Preferred Stock is convertible into Common Stock shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall pay or make a dividend or other distribution on its Common Stock exclusively in Common Stock or shall pay or make a dividend or other distribution on any other class or series of capital stock of the Corporation which dividend or distribution includes Common Stock, the conversion price in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination.

(ii) In case the Corporation shall pay or make a dividend or other distribution on its Common Stock consisting exclusively of, or shall otherwise issue to all holders of its Common Stock, rights or warrants entitling the holders thereof to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share (determined as provided in subparagraph (vi) of this Section VI(c)) of the Common Stock on the date fixed for the determination of shareholders entitled to receive such rights or warrants, the conversion price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such current market price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. In case any rights or warrants referred to in this subparagraph (ii) in respect of which an adjustment shall have been made shall

expire unexercised within 45 days after the same shall have been distributed or issued by the Corporation, the conversion price shall be readjusted at the time of such expiration to the conversion price that would have been in effect if no adjustment had been made on account of the distribution or issuance of such expired rights or warrants. For the purposes of this Section VI(c)(ii), if both (A) a Distribution Date (as such term is defined in the Rights Agreement) and (B) an event set forth in Section 11(d)(i) or 13(a) of the Rights Agreement shall have occurred, then the later to occur of such events shall be deemed to constitute an issuance of rights to purchase shares of the related common stock.

(iii) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(iv) Subject to the last sentence of this subparagraph (iv), in case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets (including securities, but excluding any rights or warrants referred to in subparagraph (ii) of this Section VI(c), any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in subparagraph (i) of this Section VI(c)), the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this subparagraph (iv) by a fraction of which the numerator shall be the current market price per share (determined as provided in subparagraph (vi) of this Section VI(c)) of the Common Stock on the date fixed for the payment of such distribution (the "Reference Date") less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors), on the Reference Date, of the portion of the evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following the Reference Date. If the Board of Directors determines the fair market value of any distribution for purposes of this subparagraph (iv) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider the prices in such market over the same period used in computing the current market price per share of Common Stock pursuant to subparagraph (vi) of this Section VI(c). For purposes of this subparagraph (iv), any dividend or distribution that includes shares of Common Stock or rights or warrants to subscribe for or purchase shares of Common Stock shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, cash, assets or shares of capital stock other than such shares of Common Stock or rights or warrants (making any further conversion price reduction required by this subparagraph (iv) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (making any further conversion price reduction required by subparagraph (i) or (ii) of this Section VI(c), except (A) the Reference Date of such dividend or distribution as defined in this subparagraph (iv) shall be substituted as "the date fixed for the determination of shareholders entitled to receive such dividend or other distribution or to exchange such Rights", "the date fixed for the determination of shareholders entitled to receive such rights or warrants" and "the date fixed for such determination" within the meaning of subparagraphs (i) and (ii) of this Section VI(c) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of subparagraph (i) of this Section VI(c)).

(v) In case the Corporation shall pay or make a dividend or other distribution on its Common Stock exclusively in cash (excluding (A) cash that is part of a distribution referred to in (iv) above and, (B) in the

case of any quarterly cash dividend on the Common Stock, the portion thereof that does not exceed the per share amount of the next preceding quarterly cash dividend on the Common Stock (as adjusted to appropriately reflect any of the events referred to in subparagraphs (i), (ii), (iii), (iv) and (v) of this Section VI(c)), or all of such quarterly cash dividend if the amount thereof per share of Common Stock multiplied by four does not exceed 15 percent of the current market price per share (determined as provided in subparagraph (vi) of this Section VI(c) of the Common Stock on the Trading Day (as defined in Section VI(i) next preceding the date of declaration of such dividend), the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this subparagraph (v) by a fraction of which the numerator shall be the current market price per share (determined as provided in subparagraph (vi) of this Section VI(c)) of the Common Stock on the date fixed for the payment of such distribution less the amount of cash so distributed and not excluded as provided above applicable to one share of Common Stock and the denominator shall be such current market price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following the date fixed for the payment of such distribution.

(vi) For the purpose of any computation under subparagraphs (ii), (iv) and (v) of this Section VI(c), the current market price per share of Common Stock on any date in question shall be deemed to be the average of the daily Closing Prices (as defined in Section VI(i)) for the five consecutive Trading Days prior to and including the date in question; provided, however, that (1) if the "ex" date (as hereinafter defined) for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the conversion price pursuant to subparagraph (i), (ii), (iii), (iv), or (v) above ("Other Event") occurs after the fifth Trading Day prior to the day in question and prior to the "ex" date for the issuance or distribution requiring such computation (the "Current Event"), the Closing Price for each Trading Day prior to the "ex" date for such Other Event shall be adjusted by multiplying such Closing Price by the same fraction by which the conversion price is so required to be adjusted as a result of such Other Event, (2) if the "ex" date, for any Other Event occurs after the "ex" date for the Current Event and on or prior to the date in question, the Closing Price for each Trading Day on and after the "ex" date for such Other Event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the conversion price is so required to be adjusted as a result of such Other Event, (3) if the "ex" date for any Other Event occurs on the "ex" date for the Current Event, one of those events shall be deemed for purposes of clauses (1) and (2) of this proviso to have an "ex" date occurring prior to the "ex" date for the other event, and (4) if the "ex" date for the Current Event is on or prior to the date in question, after taking into account any adjustment required pursuant to clause (2) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value on the date in question (as determined in good faith by the Board of Directors in a manner consistent with any determination of such value for purposes of paragraph (iv) or (v) of this Section VI(c), whose determination shall be conclusive and described in a resolution of the Board of Directors) of the portion of the rights, warrants, evidences of indebtedness, shares of capital stock or assets being distributed applicable to one share of Common Stock. For purposes of this paragraph, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution and (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective.

(vii) No adjustment in the conversion price shall be required unless such adjustment would require an increase or decrease of at least 1 percent in the conversion price; provided, however, that any adjustments which by reason of this subparagraph (vii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(viii) Whenever the conversion price is adjusted as herein provided:

(1) the Corporation shall compute the adjusted conversion price and shall prepare a certificate signed by the Treasurer of the Corporation setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the transfer agent for the Convertible Preferred Stock; and

(2) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be required, and as soon as practicable after it is required, such notice shall be mailed by the Corporation to all record holders of shares of Convertible Preferred Stock at their last addresses as they shall appear upon the stock transfer books of the Corporation.

(ix) The Corporation from time to time may reduce the conversion price by any amount for any period of time if the period is at least twenty days, the reduction is irrevocable during the period and the Board of Directors of the Corporation shall have made a determination that such reduction would be in the best interest of the Corporation, which determination shall be conclusive. Whenever the conversion price is reduced pursuant to the preceding sentence, the Corporation shall mail to holders of record of the Convertible Preferred Stock a notice of the reduction at least fifteen days prior to the date the reduced conversion price takes effect, and such notice shall state the reduced conversion price and the period it will be in effect.

(d) No Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of Convertible Preferred Stock. If more than one certificate evidencing shares of Convertible Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Convertible Preferred Stock so surrendered. Instead of any fractional share of Common Stock that would otherwise be issuable to a holder upon conversion of any shares of Convertible Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional share in an amount equal to the same fraction of the market price per share of Common Stock (as determined by the Board of Directors or in any manner prescribed by the Board of Directors, which, so long as the Common Stock is listed on the New York Stock Exchange, shall be the reported last sale price regular way on the New York Stock Exchange) at the close of business on the day of conversion.

(e) Reclassification, Consolidation, Merger or Sale of Assets. In the event that the Corporation shall be a party to any transaction (including without limitation any recapitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), any consolidation of the Corporation with, or merger of the Corporation into, any other person, any merger of another person into the Corporation (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Corporation), any sale or transfer of all or substantially all of the assets of the Corporation or any share exchange) pursuant to which the Common Stock is converted into the right to receive other securities, cash or other property, then lawful provisions shall be made as part of the terms of such transaction whereby the holder of each share of Convertible Preferred Stock then outstanding shall have the right thereafter to convert such share only into (i) in the case of any such transaction other than a Common Stock Fundamental Change and subject to funds being legally available for such purpose under applicable law at the time of such conversion, the kind and amount of securities, cash and other property receivable upon such transaction by a holder of the number of shares of Common Stock of the Corporation into which such share of Convertible Preferred Stock might have been converted immediately prior to such transaction, after giving effect, in the case of any Non-Stock Fundamental Change, to any adjustment in the conversion price required by the provisions of Section VI(h), and (ii) in the case of a Common Stock Fundamental Change, common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change in an amount determined pursuant to the provisions of Section VI(h). The Corporation or the person formed by such consolidation or resulting from such merger or which acquires such assets or which acquires the Corporation's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituent document to

establish such right. Such certificate or articles of incorporation or other constituent document shall provide for adjustments which, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent document, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section VI. The above provisions shall similarly apply to successive transactions of the foregoing type.

(f) Reservation of Shares; Etc. The Corporation shall at all times reserve and keep available, free from preemptive rights out of its authorized and unissued stock, solely for the purpose of effecting the conversion of the Convertible Preferred Stock, such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Convertible Preferred Stock from time to time outstanding. The Corporation shall from time to time, in accordance with the laws of the Commonwealth of Kentucky, in good faith and as expeditiously as possible endeavor to cause the authorized number of shares of Common Stock to be increased if at any time the number of shares of authorized and unissued Common Stock shall not be sufficient to permit the conversion of all the then-outstanding shares of Convertible Preferred Stock.

If any shares of Common Stock required to be reserved for purposes of conversion of the Convertible Preferred Stock hereunder require registration with or approval of any governmental authority under any Federal or State law before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered or approved as the case may be. If the Common Stock is listed on the New York Stock Exchange or any other national securities exchange, the Corporation will, if permitted by the rules of such exchange, list and keep listed on such exchange, upon official notice of issuance, all shares of Common Stock issuable upon conversion of the Convertible Preferred Stock.

(g) Prior Notice of Certain Events. In case:

(i) the Corporation shall (1) declare any dividend (or any other distribution) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend payable in cash out of its retained earnings other than any special or nonrecurring or other extraordinary dividend or (2) declare or authorize a redemption or repurchase of in excess of 10 percent of the then-outstanding shares of Common Stock; or

(ii) the Corporation shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or series or of any other rights or warrants; or

(iii) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Corporation is a party and for which approval of any shareholders of the Corporation shall be required, or of the sale or transfer of all or substantially all of the assets of the Corporation or of any share exchange whereby the Common Stock is converted into other securities, cash or other property; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall cause to be filed with the transfer agent for the Convertible Preferred Stock, and shall cause to be mailed to the holders of record of the Convertible Preferred Stock, at their last addresses as they shall appear upon the stock transfer books of the Corporation, at least fifteen days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, redemption, repurchase, rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

(h) Adjustments in Case of Fundamental Changes. Notwithstanding any other provision in this Section VI to the contrary, if any Fundamental Change (as defined in Section VI(i)) occurs, then the conversion price in effect will be adjusted immediately after such Fundamental Change as described below. In addition, in the event of a Common Stock Fundamental Change (as defined in Section VI(i)), each share of Convertible Preferred Stock shall be convertible solely into common stock of the kind received by holders of Common Stock as the result of such Common Stock Fundamental Change.

For purposes of calculating any adjustment to be made pursuant to this Section VI(h) in the event of a Fundamental Change, immediately after such Fundamental Change:

(i) in the case of a Non-Stock Fundamental Change (as defined in Section VI(i)), the conversion price of the Convertible Preferred Stock shall thereupon become the lower of (A) the conversion price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to this Section VI, and (B) the result obtained by multiplying the greater of the Applicable Price (as defined in Section VI(i)) or the then applicable Reference Market Price (as defined in Section VI(i)) by a fraction of which the numerator shall be \$50 and the denominator shall be (x) the then-current Redemption Price per share of Convertible Preferred Stock or (y) for any Non-Stock Fundamental Change that occurs before the Convertible Preferred Stock becomes redeemable by the Corporation pursuant to Section V, the applicable price per share set forth for the date of such Non-Stock Fundamental Change in the following table:

Date of Non-Stock Fundamental Change
Price

After date of original issuance of Convertible Preferred Stock and on or before March 14, 1994.....	\$53.13
After March 14, 1994 and on or before March 14, 1995.....	\$52.81
After March 14, 1995 and on or before March 14, 1996.	\$52.50
After March 14, 1996 and on or before March 24, 1997.....	\$52.19

plus, in any case referred to in this clause (y), an amount equal to all per share dividends on the Convertible Preferred Stock accrued and unpaid thereon, whether or not declared, to but excluding the date of such Non- Stock Fundamental Change; and

(ii) in the case of a Common Stock Fundamental Change, the conversion price of the Convertible Preferred Stock in effect immediately prior to such Common Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to this Section VI, shall thereupon be adjusted by multiplying such conversion price by a fraction of which the numerator shall be the Purchaser Stock Price (as defined in Section VI(i)) and the denominator shall be the Applicable Price; provided, however, that in the event of a Common Stock Fundamental Change in which (A) 100 percent by value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror or other third party (and cash, if any, is paid with respect to any fractional interests in such common stock resulting from such Common Stock Fundamental Change) and (B) all of the Common Stock shall have been exchanged for, converted into or acquired for common stock (and cash with respect to fractional interests) of the successor, acquiror or other third party, the conversion price of the Convertible Preferred Stock in effect immediately prior to such Common Stock Fundamental Change shall thereupon be adjusted by multiplying such conversion price by a fraction of which the numerator shall be one (1) and the denominator shall be the number of shares of common stock of the successor, acquiror, or other third party received by a holder of one share of Common Stock as a result of such Common Stock Fundamental Change.

(i) Definitions. The following definitions shall apply to terms used in this Section VI:

(1) "Applicable Price" shall mean (i) in the event of a Non-Stock Fundamental Change in which the holders of the Common Stock receive only cash, the amount of cash received by the holder of one share of Common Stock and (ii) in the event of any other Non-Stock Fundamental Change or any Common Stock Fundamental Change, the average of the daily Closing Prices of the Common Stock for the ten consecutive

Trading Days prior to and including the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Non-Stock Fundamental Change or Common Stock Fundamental Change, or, if there is no such record date, the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets, in each case, as adjusted in good faith by the Board of Directors of the Corporation to appropriately reflect any of the events referred to in subparagraphs (i), (ii), (iii), (iv) and (v) of Section VI(c).

(2) "Closing Price" of any common stock on any day shall mean the last reported sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices regular way of the common stock in each case on the New York Stock Exchange, or, if the common stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange or quotation system on which the common stock is listed or admitted to trading or quoted, or, if not listed or admitted to trading or quoted on any national securities exchange or quotation system, the average of the closing bid and asked prices of the common stock in the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similarly generally accepted reporting service, or, if not so available in such manner, as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors of the Corporation for that purpose.

(3) "Common Stock Fundamental Change" shall mean any Fundamental Change in which more than 50 percent by value (as determined in good faith by the Board of Directors of the Corporation) of the consideration received by holders of Common Stock consists of common stock that for each of the ten consecutive Trading Days referred to with respect to such Fundamental Change in Section VI(i)(1) above has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on the National Association of Securities Dealers Automated Quotation ("NASDAQ") National Market System; provided, however, that a Fundamental Change shall not be a Common Stock Fundamental Change unless either (i) the Corporation continues to exist after the occurrence of such Fundamental Change and the outstanding shares of Convertible Preferred Stock continue to exist as outstanding shares of Convertible Preferred Stock, or (ii) not later than the occurrence of such Fundamental Change, the outstanding shares of Convertible Preferred Stock are converted into or exchanged for shares of convertible preferred stock of a corporation succeeding to the business of the Corporation, which convertible preferred stock has powers, preferences and relative, participating, optional or other rights, and qualifications, limitations and restrictions, substantially similar to those of the Convertible Preferred Stock.

(4) "Fundamental Change" shall mean the occurrence of any transaction or event in connection with a plan pursuant to which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or constitute solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided, however, in the case of a plan involving more than one such transaction or event, for purposes of adjustment of the conversion price, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock of the Corporation shall be exchanged for, converted into, or acquired for or constitute solely the right to receive cash, securities, property or other assets, but the adjustment shall be based upon the highest weighted average of consideration per share which a holder of Common Stock could have received in such transactions or events as a result of which more than 50 percent of the Common Stock of the Corporation shall have been exchanged for, converted into, or acquired for or constitute solely the right to receive cash, securities, property or other assets.

(5) "Non-Stock Fundamental Change" shall mean any Fundamental Change other than a Common Stock Fundamental Change.

(6) "Purchaser Stock Price" shall mean, with respect to any Common Stock Fundamental Change, the average of the daily Closing Prices of the Common Stock received in such Common Stock Fundamental Change for the ten consecutive Trading Days prior to and including the record date for the determination of the holders of the Common Stock entitled to receive such common stock, or, if there is no such record date,

the date upon which the holders of the Common Stock shall have the right to receive such common stock, in each case, as adjusted in good faith by the Board of Directors of the Corporation to appropriately reflect any of the events referred to in subparagraphs (i), (ii), (iii), (iv) and (v) of Section VI(c); provided, however, if no such Closing Prices of the common stock for such Trading Days exist, then the Purchaser Stock Price shall be set at a price determined in good faith by the Board of Directors of the Corporation.

(7) "Reference Market Price" shall initially mean \$17.25 (which is an amount equal to 66 2/3 percent of the reported last sale price for the Common Stock on the New York Stock Exchange on May 13, 1993), and in the event of any adjustment to the conversion price other than as a result of a Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the conversion price after giving effect to any such adjustment shall always be the same as the ratio of \$17.25 to the initial conversion price per share set forth in the last sentence of Section VI(a).

(8) "Trading Day" shall mean a day on which securities traded on the national securities exchange or quotation system or in the over-the-counter market used to determine the Closing Price.

(j) Dividend or Interest Reinvestment Plans. Notwithstanding the foregoing provisions, the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in shares of Common Stock under any such plan, and the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant to any employee benefit plan or program of the Corporation or pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Convertible Preferred Stock was first designated (except as expressly provided in Section VI(c)(1) or VI(c)(ii) with respect to certain events under the Rights Agreement), and any issuance of Rights (as hereinafter defined), shall not be deemed to constitute an issuance of Common Stock or exercisable, exchangeable or convertible securities by the Corporation to which any of the adjustment provisions described above applies. There shall also be no adjustment of the conversion price in case of the issuance of any stock (or securities convertible into or exchangeable for stock) of the Corporation except as specifically described in this Section VI. If any action would require adjustment of the conversion price pursuant to more than one of the provisions described above, only one adjustment shall be made and such adjustment shall be the amount of adjustment which has the highest absolute value to holders of Convertible Preferred Stock.

(k) Preferred Share Purchase Rights. So long as Preferred Share Purchase Rights of the kind declared and distributed by the Corporation's Board of Directors in May 1986, as the same have been and may hereafter be amended ("Rights"), are attached to the outstanding shares of Common Stock of the Corporation, each share of Common Stock issued upon conversion of the shares of Convertible Preferred Stock prior to the earliest of any Distribution Date (as defined in the Rights Agreement), the date of redemption of the Rights or the date of expiration of the Rights shall be issued with Rights in an amount equal to the amount of Rights then attached to each such outstanding share of Common Stock.

(l) Certain Additional Rights. In case the Corporation shall, by dividend or otherwise, declare or make a distribution on its Common Stock referred to in Section VI(c)(iv) or VI(c)(v) (including, without limitation, dividends or distributions referred to in the last sentence of Section VI(c)(iv)), the holder of each share of Convertible Preferred Stock, upon the conversion thereof subsequent to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution and prior to the effectiveness of the conversion price adjustment in respect of such distribution, shall also be entitled to receive for each share of Common Stock into which such share of Convertible Preferred Stock is converted, the portion of the shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Common Stock; provided, however, that, at the election of the Corporation (whose election shall be evidenced by a resolution of the Board of Directors) with respect to all holders so converting, the Corporation may, in lieu of distributing to such holder any portion of such distribution not consisting of cash securities of the Corporation, pay such holder an amount in cash equal to the fair market value thereof (as determined in good faith by the Board of Directors, whose determination shall be conclusive and

described in a resolution of the Board of Directors). If any conversion of a share of Convertible Preferred Stock described in the immediately preceding sentence occurs prior to the payment date for a distribution to holders of Common Stock which the holder of the share of Convertible Preferred Stock so converted is entitled to receive in accordance with the immediately preceding sentence, the Corporation may elect (such election to be evidenced by a resolution of the Board of Directors) to distribute to such holder a due bill for the shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets to which such holder is so entitled, provided that such due bill (i) meets any applicable requirements of the principal national securities exchange or other market on which the Common Stock is then traded and (ii) requires payment or delivery of such shares of Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets no later than the date of payment or delivery thereof to holders of shares of Common Stock receiving such distribution.

VII. Voting Rights.

(a) General. The holders of shares of Convertible Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law. In connection with any right to vote, each holder of a share of Convertible Preferred Stock shall have one vote for each share held. Any shares of Convertible Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors, shall not have voting rights hereunder and shall not be counted in determining the presence of a quorum.

(b) Default Voting Rights. Whenever dividends on the Convertible Preferred Stock or any other class or series of Parity Dividend Stock shall be in arrears in an aggregate amount equal to at least six quarterly dividends (whether or not consecutive), (i) the number of members of the Board of Directors of the Corporation shall be increased by two, effective as of the time of election of such directors as hereinafter provided and (ii) the holders of shares of Convertible Preferred Stock (voting separately as a class with all other affected classes or series of Parity Dividend Stock upon which like voting rights have been conferred and are exercisable) shall have the exclusive right to vote for and elect such two additional directors of the Corporation who shall continue to serve during the period such dividends remain in arrears. The right of the holders of shares of Convertible Preferred Stock to vote for such two additional directors shall terminate when all accrued and unpaid dividends on the Convertible Preferred Stock and all other affected classes or series of Parity Dividend Stock have been declared and paid or set apart for payment. The term of office of all directors so elected shall terminate immediately upon the termination of the right of the holders of shares of Convertible Preferred Stock and such Parity Dividend Stock to vote for such two additional directors, and the number of directors of the Board of Directors of the Corporation shall immediately thereafter be reduced by two.

The foregoing right of the holders of shares of Convertible Preferred Stock with respect to the election of two directors may be exercised at any annual meeting of shareholders or at any special meeting of shareholders held for such purpose. If the right to elect directors shall have accrued to the holders of shares of Convertible Preferred Stock more than ninety days preceding the date established for the next annual meeting of stockholders, the President of the Corporation shall, within twenty days after the delivery to the Corporation at its principal office of a written request for a special meeting signed by the holders of at least 10 percent of all outstanding shares of Convertible Preferred Stock, call a special meeting of the holders of Convertible Preferred Stock to be held within sixty days after the delivery of such request for the purpose of electing such additional directors.

The holders of shares of Convertible Preferred Stock and any Parity Dividend Stock referred to above voting as a class shall have the right to remove without cause at any time and replace any directors such holders shall have elected pursuant to this Section VII.

VIII. Outstanding Shares. For purposes of this amendment, all shares of Convertible Preferred Stock issued by the Corporation shall be deemed outstanding, all shares of Convertible Preferred Stock issued by the Corporation shall be deemed outstanding except (i) from the date fixed for redemption pursuant to Section V, all shares of Convertible Preferred Stock that have been so called for redemption under Section V, to the extent

provided thereunder; (ii) from the date of surrender of certificates evidencing shares of Convertible Preferred Stock, all shares of Convertible Preferred Stock converted into Common Stock; and (iii) from the date of registration of transfer, all shares of Convertible Preferred Stock owned, directly or indirectly, by any entity of which the Corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors.

IX. Partial Payments. Upon an optional redemption by the Corporation, if at any time the Corporation does not pay amounts sufficient to redeem all Convertible Preferred Stock, then such funds which are paid shall be applied to redeem such shares of Convertible Preferred Stock as the Corporation may designate by lot or in such other manner as the Board of Directors may determine to be fair, or such redemption shall be effected pro rata.

X. Severability of Provisions. Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If a court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

XI. Miscellaneous. (a) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Convertible Preferred Stock or shares of Common Stock or other securities issued on account of Convertible Preferred Stock pursuant hereto or certificates or instruments evidencing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Convertible Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Convertible Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(b) In the event that a holder of shares of Convertible Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Convertible Preferred Stock should be made or the address to which the certificates or instruments evidencing such shares or such payment, should be sent, the Corporation shall be entitled to register such shares and make such payment, in the name of the holder of such Convertible Preferred Stock as shown on the records of the Corporation and to send the certificates or instruments evidencing such shares or such payment, to the address of such holder shown on the records of the Corporation.

THIRD: The Amendment was adopted on May 18, 1993.

FOURTH: The Amendment was duly adopted by the Board of Directors.

ASHLAND OIL, INC.

/Paul W. Chellgren/

Paul W. Chellgren
President

COMMONWEALTH OF KENTUCKY)
COUNTY OF GREENUP)

The foregoing instrument was acknowledged before me this 17th day of May, 1993, by Paul W. Chellgren, President of ASHLAND OIL, INC., a Kentucky corporation, on behalf the corporation.

/Mary E. Mell/

Mary E. Mell
Notary Public

[STAMP]
MARY E. MELL
My commission expires: July 3,
1994

Prepared by Thomas L. Feazell
1000 Ashland Drive
Russell, Kentucky 41114

/Thomas L. Feazell/

Thomas L. Feazell

[STAMP]
LODGED FOR RECORD ON
THE 18 DAY OF MAY
19993 AT 3:45 PM RECORDED
IN ART. OF INC. BOOK
NO. 12 PAGE 322
TAX \$ _____ FEES \$23.50
DONALD L. DAVIDSON, CLERK
GREENUP COUNTY
BY J. THOMPSON D.C.
NO. _____

LODGED FOR RECORD
ON THE 18 DAY OF MAY
1993 AT 2:55 PM RECORDED
IN ART. OF INC. BOOK
NO. 30 PAGE 59

BY-LAWS
OF
ASHLAND OIL, INC.

ARTICLE I

OFFICES

SECTION 1. Registered Office. The registered office of the Corporation in the Commonwealth of Kentucky shall be at Ashland Drive, City of Russell, Greenup County. The names of the registered agents located thereat shall be designated by the Board from time to time by a resolution adopted by a majority of the Board.

SECTION 2. Other Offices. The Corporation may also have offices at other places either within or without the Commonwealth of Kentucky.

ARTICLE II

MEETINGS OF SHAREHOLDERS

SECTION 1. Annual Meetings. The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at the principal office of the Corporation on the last Thursday of January, annually, at the hour of ten thirty a.m., or at such other place (within or without the Commonwealth of Kentucky), date and hour as shall be designated in the notice thereof.

SECTION 2. Annual Meeting Business. To be properly brought before an annual meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation, not later than 90 days in advance of such meeting (provided that if the annual meeting of shareholders is held earlier than the last Thursday in January, such notice must be given within 10 days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission, of the date of the annual meeting). Any such notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and in the event that such business includes a proposal to amend either the Second Restated Articles of Incorporation or By-laws of the Corporation, the language of the proposed amendment, (ii) the name and address of the shareholder proposing such business, (iii) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (iv) any material interest of the shareholder in such business. No business shall be conducted at an annual meeting of shareholders except in accordance with this paragraph and the chairman of any annual meeting of shareholders may refuse to permit any business to be brought before an annual meeting without compliance with the foregoing procedures.

SECTION 3. Special Meetings. A special meeting of the shareholders may be called by the Board of Directors, the Chairman of the Board, any Vice Chairman of the Board or the President, at such place (within or without the Commonwealth of Kentucky), date and hour as shall be designated in the notice thereof. The Secretary shall call a special meeting of the shareholders, to be held on such date as the Secretary shall determine, on the request in writing of the holders of shares of capital stock of the Corporation entitled to vote at such meeting which represent one-third or more of the total votes entitled to be cast at such meeting. Such request shall set forth: (i) the action proposed to be taken at such meeting and the reasons for the action; (ii) the name and address of each of such holders who intends to propose action be taken at such meeting; (iii) a representation that each is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at such meeting to propose the action specified in the request; (iv) any material interest of any shareholder in such action; and (v) in the event that any proposed action consists of or includes a proposal to amend either the Second Restated Articles of Incorporation or the By-laws of the Corporation, the language of the proposed amendment. The Secretary may refuse to call a special meeting unless the request is made in compliance with the foregoing procedure.

SECTION 4. Notice of Meetings. Except as otherwise expressly required by law, notice of each meeting of the shareholders shall be given not less than ten nor more than sixty days before the date of the meeting to each shareholder entitled to vote at such meeting by mailing such notice, postage prepaid, directed to the shareholder at his address as it appears on the records of the Corporation. Every such notice shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Except as otherwise expressly required by law, notice of any adjourned meeting of the shareholders need not be given if the date, time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than 120 days or after the adjournment a new record date is fixed for the adjourned meeting.

SECTION 5. Record of Shareholders. It shall be the duty of the officer or agent of the Corporation who shall have charge of its stock transfer books to prepare and make a complete record of the shareholders entitled to vote at any meeting of shareholders or adjournment thereof, arranged by voting group (and within each voting group by class or series), and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such record shall be produced at the time and place of the meeting and shall be open to the inspection of any shareholder entitled to vote at such meeting or any adjournment thereof during the whole time of such meeting or adjournment for the purposes thereof.

SECTION 6. Quorum. At each meeting of the shareholders or adjournment thereof, except as otherwise expressly required by law, these By-laws or the Second Restated Articles of Incorporation, shareholders holding a majority of the shares of the Corporation issued and outstanding and entitled to be voted thereat shall be present in person or by proxy to constitute a quorum for the transaction of business.

The shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

SECTION 7. Organization. At each meeting of the shareholders, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

(a) the Chairman of the Board;
(b) a Vice Chairman of the Board in order of rank of seniority in office;

(c) the President; or
(d) any other officer of the Corporation designated by the Board or the Executive Committee to act as chairman of such meeting and to preside thereat if the Chairman of the Board, each Vice Chairman of the Board and the President shall be absent from such meeting.

The Secretary or, if he shall be absent from such meeting, the person (who shall be the Deputy Secretary or an Assistant Secretary of the Corporation, if one of such officers shall be present thereat) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 8. Order of Business. The order of business at each meeting of the shareholders shall be determined by the chairman of such meeting, but such order of business may be changed by a majority in voting interest of those present in person or by proxy at such meeting and entitled to vote thereat.

SECTION 9. Voting. Except as otherwise expressly required by law, these By-laws, or the Second Restated Articles of Incorporation, each shareholder entitled to vote shall, at each meeting of the shareholders, have one vote (except that at each election for directors each such shareholder shall have the right to cast as many votes in the aggregate as he shall be entitled to vote under the Second Restated Articles of Incorporation multiplied by the number of directors to be elected at such election; and each shareholder may cast the whole number of votes for one candidate, or distribute such votes among two or more candidates), in person or by proxy, for each share of the Corporation held by him and registered in his name on the books of the Corporation:

(a) on the date fixed pursuant to the provisions of Section 6 of Article VIII of these By-laws as the record date for the determination of shareholders who shall be entitled to receive notice of and to vote at such meeting, or

(b) if no record date shall have been so fixed, then at the close of business on the day on which notice of such meeting shall be given.

Shares of the Corporation's stock belonging to a majority-owned subsidiary of the Corporation shall not be counted in determining the total number of outstanding shares and shall neither be entitled to vote nor counted for quorum purposes. Any vote of shares of the Corporation may be given at any meeting of the shareholders by the shareholders entitled thereto in person or by proxy appointed by an instrument in writing by the shareholder or his duly authorized attorney-in-fact. The attendance at any meeting of a shareholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the Secretary.

At all meetings of the shareholders each matter, except as otherwise expressly required by law, these By-laws or the Second Restated Articles of Incorporation, shall be approved if the votes cast in favor of such matter exceed the votes cast opposing such matter.

Except as otherwise expressly required by law, the vote at any meeting of the shareholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot each ballot shall be signed by the shareholder voting, or by his proxy, if there be such proxy, and shall state the number of shares voted.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Corporation shall be managed by the Board of Directors.

SECTION 2. Number and Term of Office. Except as otherwise provided by law, the number of directors which shall constitute the Board of Directors shall be fixed from time to time by a resolution adopted by a majority of the Board of Directors. So long as the Board of Directors shall consist of nine or more members, the directors shall be classified with respect to the time for which they shall severally hold office, by dividing them into three classes, as nearly equal in number as possible. Each class shall be elected at the annual meeting of shareholders held in 1986 for terms which will expire as follows: one class of directors to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1987; the second class of directors to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1988; and the third class of directors to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1989.

At each annual meeting of shareholders beginning in 1987, successors to the class of directors whose term then expires shall be elected to serve for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors shall have been elected and qualified; provided, that the successor to a director whose term expires at such annual meeting because he was elected to fill a vacancy on the board may, if so specified by the Board of Directors, be elected to serve for a term expiring at the annual meeting of shareholders held in the first or second year following the year of his election and until his successor shall have been elected and qualified. The Board of Directors shall increase or decrease the number of directors in one or more classes as may be appropriate whenever it increases or decreases the number of directors in

order to ensure that the three classes remain as nearly equal in number as possible. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 3. Nomination. Nominations for the election of directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Any shareholder entitled to vote for the election of directors at a meeting may nominate a person or persons for election as directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation, not later than (i) with respect to an election to be held at an annual meeting of shareholders, 90 days in advance of such meeting (provided that if the annual meeting of shareholders is held earlier than the last Thursday in January, such notice must be given within 10 days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission, of the date of the annual meeting) and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of any meeting of shareholders to elect directors and the Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 4. Election. Except as otherwise expressly provided in the Second Restated Articles of Incorporation, at each meeting of the shareholders for the election of directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the directors.

SECTION 5. Resignation, Removal and Vacancies. Any director may resign at any time by giving written notice of his resignation to the Chairman of the Board, any Vice Chairman of the Board, the President or the Secretary. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect when accepted by action of the Board. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

Any or all directors may be removed at a meeting of the shareholders called expressly for that purpose (i) in the case of a removal of a director for cause, by a vote of the holders of a majority of the voting power of the then outstanding voting stock of the Corporation, voting together as a single class, or (ii) in the case of a removal of a director without cause, by a vote of the holders of at least 80% of the voting power of the then outstanding voting stock of the Corporation, voting together as a single class. If less than all the directors are to be removed, no one of the directors may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board or, if there be classes of directors, at an election of the class of directors of which he or she is a part. For purposes of this Section 5, "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Corporation (other than any failure resulting from incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation. As used in these By-laws, "voting stock" shall mean shares of capital stock of the Corporation entitled to vote generally in the election of directors.

Any vacancy occurring on the Board may be filled by a majority of the directors then in office, though less than a quorum, and the director elected to fill such vacancy shall hold office until the next annual meeting of shareholders at which directors are elected and until his successor is elected and qualified.

SECTION 6. Meetings.

(A) Annual Meetings. As soon as practicable after each annual election of directors, the Board shall meet for the purpose of organization and the transaction of other business.

(B) Regular Meetings. Regular meetings of the Board shall be held at such dates, times and places as the Board shall from time to time determine.

(C) Special Meetings. Special meetings of the Board shall be held whenever called by the Chairman of the Board, any Vice Chairman of the Board, the President or upon the written request of a majority of the members of the whole Board filed with the Secretary. Any and all business may be transacted at a special meeting which may be transacted at a regular meeting of the Board.

(D) Place of Meeting. The Board may hold its meetings at such place or places within or without the Commonwealth of Kentucky as the Board may from time to time by resolution determine or as shall be designated in the respective notices or waiver of notices thereof.

(E) Notice of Meetings. Notices of regular meetings of the Board or of any adjourned meeting need not be given.

Notices of special meetings of the Board, or of any meeting of any committee of the Board which has not been fixed in advance as to time and place by such committee, shall be mailed by the Secretary to each director, or member of such committee, addressed to him at his residence or usual place of business, at least two days before the day on which such meeting is to be held, or shall be sent to him by telegraph, cable or other form of recorded communication or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. Such notice shall

include the date, time and place of such meeting, but any such notice need not specify the business to be transacted at, or the purpose of, any such meeting. Notice of any such meeting need not be given to any director or member of any committee, however, if waived by him in writing, whether before or after such meeting shall be held, or if he shall be present at such meeting, unless the director at the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

(F) Quorum and Manner of Acting. A majority of the number of directors fixed by or in the manner provided in these By-laws or in the Second Restated Articles of Incorporation shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law, these By-laws or the Second Restated Articles of Incorporation.

(G) Action by Consent. Any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and such writing is filed with the minutes of the proceedings of the Board or committee.

(H) Meeting by Telephone. Any meeting of the Board, or of any committee thereof may be conducted through the use of any means of communication by which all persons participating in the meeting can hear and speak to each other, and the directors' participation in such a meeting shall constitute presence in person at the meeting for all purposes.

(I) Organization. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

- (a) the Chairman of the Board;
- (b) a Vice Chairman of the Board in order of rank of seniority in office; or
- (c) the President.

SECTION 7. Compensation. The Board of Directors may fix such amount per annum and such fees to be paid by the Corporation to directors for attendance at meetings of the Board or of any committee, or both, as the Board shall from time to time determine. The Board may likewise provide that the Corporation shall reimburse each director or member of a committee for any expenses incurred by him on account of his attendance at any such meeting. Nothing contained in this Section shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

COMMITTEES

SECTION 1. Executive Committee.

(A) Designation and Membership. The Board may, by resolution passed by a majority of the whole Board, designate an Executive Committee consisting of the Chairman of the Board, each Vice Chairman of the Board, the President and such additional number of directors as the Board shall determine. Vacancies may be filled by the Board at any time and any member of the Executive Committee shall be subject to removal, with or without cause, at any time by resolution passed by a majority of the whole Board.

(B) Functions and Powers. The Executive Committee, subject to any limitations prescribed by the Board, shall possess and may exercise, during the intervals between meetings of the Board, all the powers and authority of the Board in the management of the business and affairs of the Corporation; provided, however, that the Executive Committee shall not have the power or authority to approve amendments to the Second Restated Articles of Incorporation, adopt agreements of merger or consolidation, recommend to the shareholders the sale, lease or exchange of all or substantially all the property and assets of the Corporation, recommend to the shareholders the dissolution of the Corporation or the revocation of a dissolution, amend these By-laws or to take any other action which a committee is prohibited by law from taking.

At each meeting of the Board the Executive Committee shall make a report of all action taken by it since its last report to the Board.

(C) Meetings and Quorum. The Executive Committee shall meet as often as may be deemed necessary and expedient at such times and places as shall be determined by the members of the Executive Committee. A majority of the members of the Executive Committee shall constitute a quorum. The Chairman of the Board shall preside at meetings thereof, and, in his absence, the Executive Committee may appoint any other member of the Executive Committee to preside.

SECTION 2. Audit Committee.

(A) The Board may by resolution passed by a majority of the whole Board designate an Audit Committee consisting of three or more directors. Vacancies may be filled by the Board at any time and any member of the Audit Committee shall be subject to removal, with or without cause, at any time by resolution passed by a majority of the whole Board.

(B) The Audit Committee shall review with the independent public accountants for the Corporation the scope of their examination, receive copies of the reports of such accountants, meet with representatives of such accountants for the purpose of reviewing and considering questions relating to such accountants' examination and such reports, review, either directly or through such accountants, the internal accounting and auditing procedures of the Corporation, report the results of the foregoing to the Board and act upon such other matters as may be referred to it by the Board.

At each meeting of the Board the Audit Committee shall make a report of all action taken by it since its last report to the Board.

(C) Meetings and Quorum. The Audit Committee shall meet as often as may be deemed necessary and expedient at such times and places as shall be determined by the members of the Audit Committee. A majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee may appoint

any member to preside at meetings thereof.

SECTION 3. Other Committees. The Board may, by resolution passed by a majority of the whole Board, designate other committees, each committee to consist of two or more directors and to have such duties and functions as shall be provided in such resolution. The Board shall have the power to change the members of any such committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time.

ARTICLE V

OFFICERS

SECTION 1. Officers and Executive Officers of the Corporation. The officers of the Corporation shall

be:

- (a) a Chairman of the Board;
- (b) one or more Vice Chairmen of the Board;
- (c) a President;
- (d) one or more Vice Presidents, one or more of whom may be designated as Executive Vice President, one or more of whom may be designated as Senior Vice President, and one or more of whom may be designated as Administrative Vice President;
- (e) a Secretary and, as and when designated, a Deputy Secretary and one or more Assistant Secretaries;
- (f) a Treasurer and, as and when designated, a Deputy Treasurer and one or more Assistant Treasurers;
- (g) a Controller and, as and when designated, a Deputy Controller and one or more Assistant Controllers;
- (h) an Auditor and, as and when designated, one or more Assistant Auditors.

The following officers are hereby designated the Executive Officers of the Corporation:

Chairman of the Board;
Vice Chairmen of the Board;
President;
Executive Vice Presidents;
Senior Vice Presidents;
Administrative Vice Presidents;
Secretary;
Treasurer;
Controller;
Auditor.

SECTION 2. Election and Appointment and Term of Office. Each Executive Officer shall be elected by the Board at its annual meeting and hold office until the next annual meeting of the Board and until his successor is elected or until his earlier death, resignation or removal in the manner hereinafter provided.

The Board may elect such other officers and designate such other Executive Officers as it deems necessary and such other officers shall have such authority and shall perform such duties as the Board may prescribe.

The Chairman of the Board acting jointly with any Vice Chairman of the Board or the President, by written designation filed with the Secretary, may appoint all officers, other than Executive Officers, of the Corporation. Subject to the authority of the Board, the persons having authority to appoint an officer shall also have authority to fix the salary of such officer.

If additional officers are elected by the Board during the year, each of them shall hold office until the next annual meeting of the Board at which officers are regularly elected and until his successor is elected or appointed or until his earlier death, resignation or removal in the manner hereinafter provided.

SECTION 3. Resignation, Removal and Vacancies. Any officer may resign at any time by giving written notice to the Chairman of the Board, any Vice Chairman of the Board, the President or the Secretary, and such resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date.

All officers and agents elected or appointed shall be subject to removal at any time by the Board with or without cause. All appointed officers may be removed at any time by the Chairman of the Board acting jointly with any Vice Chairman of the Board or the President, by written designation filed with the Secretary.

A vacancy in any office may be filled for the unexpired portion of the term in the same manner as provided for election or appointment to such office.

SECTION 4. Duties and Functions.

(A) Chairman of the Board. The Chairman of the Board, if present, shall preside at all meetings of the shareholders and the Board. He shall be Chief Executive Officer of the Corporation, shall be vested with executive control and management of the business and affairs of the Corporation and shall have the direction of all other officers, agents and employees. He shall perform all such other duties as are incident to the office or as may be properly required of him by the Board, subject in all matters to the control of the Board.

(B) Vice Chairmen of the Board. The Vice Chairman of the Board with seniority of office, in the absence of the Chairman of the Board, shall preside at all meetings of the shareholders and the Board. Each Vice Chairman of the Board shall have such powers, authority and duties as may be delegated to him from time to time by the Board or the Chairman of the Board.

(C) The President. The President, in the absence of the Chairman of the Board and all the Vice Chairmen of the Board, shall preside at all meetings of the shareholders and the Board. He shall have such powers, authority and duties as may be delegated to him from time to time by the Board or the Chairman of the Board.

(D) Executive Vice Presidents. The Executive Vice Presidents shall have such powers, authority and duties as may be delegated or assigned to them from time to time by the Board, the Chairman of the Board, any Vice Chairman of the Board or the President.

(E) Senior Vice Presidents. The Senior Vice Presidents shall have such

powers, authority and duties as may be delegated or assigned to them from time to time by the Board, the Chairman of the Board, any Vice Chairman of the Board or the President.

(F) Administrative Vice Presidents. The Administrative Vice Presidents shall have such powers, authority and duties as may be delegated or assigned to them from time to time by the Board, the Chairman of the Board, any Vice Chairman of the Board or the President.

(G) Vice Presidents. The Vice Presidents shall have such powers, authority and duties as may be delegated or assigned to them from time to time by the Board, the Chairman of the Board, any Vice Chairman of the Board or the President.

(H) Secretary. The Secretary shall attend to the giving and serving of all notices required by law or these By-laws; shall be the custodian of the corporate seal and shall affix and attest the same to all papers requiring it; shall have responsibility for preparing minutes of the meetings of the Board and shareholders; and shall in general perform all the duties incident to the office of the Secretary, subject in all matters to the control of the Board.

(I) Treasurer. The Treasurer shall have custody and control of the funds and securities of the Corporation and shall perform all such other duties as are incident to his office or that may be properly required of him by the Board, the Chairman of the Board, any Vice Chairman of the Board or the President.

(J) Controller. The Controller shall maintain adequate records of all assets, liabilities and transactions of the Corporation; shall see that adequate audits thereof are currently and regularly made; shall have general supervision of the preparation of the Corporation's balance sheets, income accounts and other financial statements or records; and shall perform such other duties as shall, from time to time, be assigned to him by the Board, the Chairman of the Board, any Vice Chairman of the Board or the President. These duties and powers shall extend to all subsidiary corporations and so far as the Board, the Chairman of the Board, any Vice Chairman of the Board or the President may deem practicable, to all affiliated corporations.

(K) Auditor. The Auditor shall review the accounting, financial and related operations of the Corporation and shall be responsible for measuring the effectiveness of various controls established for the Corporation. His duties shall include, without limitation, the appraisal of procedures, verifying the extent of compliance with formal controls and the prevention and detection of fraud or dishonesty and such other duties as shall, from time to time, be assigned to him by the Board, the Chairman of the Board, any Vice Chairman of the Board or the President. These duties and powers shall extend to all subsidiary corporations and so far as the Board, any Chairman of the Board, any Vice Chairman of the Board or the President may deem practicable, to all affiliated corporations.

ARTICLE VI

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 1. Borrowing Authority. The Chairman of the Board, any Vice Chairman of the Board, the President, the Senior Vice President supervising the law function and any other officer, employee, or agent of the Corporation designated by the Board (collectively, "Designated Officers") shall, subject to Section 3 hereof, have the power, acting jointly with any officer designated by the Board as the Chief Financial Officer, Administrative Vice President responsible for the treasury function, or the Treasurer (collectively, the "Financial Officers"), to authorize the establishment of borrowing facility, the borrowing of money or the guaranteeing of debt obligations of others on behalf of the Corporation. If the approving Financial Officer is also one of the Designated Officers, the approval of another Designated Officer must be obtained.

SECTION 2. Delegation of Authority. Any Financial Officer of the Corporation acting jointly with any Designated Officer may delegate the authority to establish borrowing facilities or to borrow money or to issue debt obligations or to guarantee the debt obligations of others or any combination of the foregoing to any person(s) on behalf of the Corporation, provided each obligation to be incurred under each such authority does not exceed the equivalent of Ten Million United States Dollars (U.S. \$10,000,000). Each delegated authority may not be redelegated. If the approving Financial Officer is also one of the Designated Officers, the approval of another Designated Officer must be obtained.

SECTION 3. Limitation of Authority. The Finance Committee of the Board of Directors shall, subject to the last sentence of this Section 3, retain authority for and, in its sole discretion, shall authorize (a) any establishment of borrowing facilities, borrowing of money or issuance of debt obligations by the Corporation which exceeds the equivalent of Ten Million United States Dollars (U.S. \$10,000,000) and which has a maturity of one year or more from the effective date of the issuance or borrowing and (b) any guarantee of any debt obligation of non-affiliated entities by the Corporation which guaranty is for an amount exceeding the equivalent of Ten Million United States Dollars (U.S. \$10,000,000) and which underlying obligation has a maturity of one year or more from the effective date of the issuance or borrowing. The foregoing limitations shall not apply, however, to those borrowings, debt issuances, or guaranties of debt obligations made or delivered, under or in connection with a borrowing facility or program previously approved by the Board of Directors or the Finance Committee or to such types of transactions with or on behalf of affiliated entities.

SECTION 4. Execution of Documents. The Designated Officers and any other officer, employee or agent of the Corporation designated by the Board shall have power, acting alone, to execute and deliver, in the name and on behalf of the Corporation, (a) mortgages, bonds, debentures, notes, checks, drafts and other orders evidencing the borrowing or guaranteeing (when so authorized as provided in Section 1, 2, or 3) or payment of money and (b) deeds, leases, contracts and other agreements and documents. Each such named officer empowered to execute and deliver the aforesaid documents and any such other officer, employee or agent so designated by the Board pursuant to the first sentence of this Section 4 may delegate such power (including authority to redelegate) by written instrument to other

officers, employees or agents of the Corporation.

SECTION 5. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise with such banks or other financial institutions as may be designated by the Board, any Designated Officer, or any other officer, employee or agent of the Corporation so designated by the Board. Each such named officer and any such other officer, employee or agent so authorized by the Board may delegate such power (including authority to redelegate) by written instrument to other officers, employees or agents of the Corporation.

SECTION 6. Proxies in Respect of Shares or Other Securities of Other Corporations. The Chairman of the Board, any Vice Chairman of the Board or the President, and any other officer of the Corporation designated by the Board, shall have the authority (a) to appoint from time to time an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of shares or other securities in any other corporation, (b) to vote or consent in respect of such shares or securities and (c) to execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as he may deem necessary or proper in order that the Corporation may exercise such powers and rights. Any Designated Officer, or any such designated officer may instruct any person or persons appointed as aforesaid as to the manner of exercising such powers and rights.

ARTICLE VII

BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders, the Board, the Executive Committee, the Audit Committee, and such other committees of the Board as the Board may by resolution designate and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders, and the number and class of the shares held by each.

ARTICLE VIII

SHARES AND THEIR TRANSFER; FIXING RECORD DATE

SECTION 1. Certificates for Shares. Every owner of shares of the Corporation shall be entitled to have a certificate which shall set forth upon the face or back of such certificate, or shall state that the Corporation will furnish to any shareholder upon request and without charge, a full statement of the designations, preferences, limitations and relative rights of the shares of each class of shares authorized to be issued, and the variations in the relative rights and preferences between the shares of each series of any preferred or special class of shares, so far as the same have been fixed and determined, and the authority of the Board to fix and determine the relative rights and preferences of subsequent series of such preferred or special classes of shares.

Each certificate representing shares shall state upon the face thereof that the Corporation is organized under the laws of the Commonwealth of Kentucky; the name of the person to whom issued; the number and class of shares, and the designation of the series, if any, which such certificate represents; and the par value of each share represented by such certificate, or a statement that the shares are without par value. Such certificate shall otherwise be in such form as the Board shall prescribe.

Each such certificate shall be signed by, or in the name of the Corporation by, the Chairman of the Board, any Vice Chairman of the Board, the President or a Vice President and by the Secretary, the Deputy Secretary or an Assistant Secretary of the Corporation and shall be sealed with the corporate seal or contain a facsimile thereof. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer at the date of issue. Where any such certificate is manually countersigned by a transfer agent or registrar (other than the Corporation itself or an employee of the Corporation), any of the other signatures on the certificate may be a facsimile.

SECTION 2. Record. A record shall be kept of the name of the person, firm or corporation owning the shares represented by each certificate for shares of the Corporation issued, the number of shares represented by each such certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 3. Transfer of Shares. Transfers of shares of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by his attorney thereunto duly authorized by written power of attorney duly executed and filed with the Secretary or with a transfer agent appointed as provided in Section 4 of this Article, and on the surrender of the certificate or certificates for such shares properly endorsed.

SECTION 4. Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates for shares of the Corporation. The Board may appoint or authorize any officer or officers to appoint one or more transfer agents and one or more registrars and may require all certificates for shares to bear the signature or signatures of any of them.

SECTION 5. Lost, Stolen, Destroyed or Mutilated Certificates. The holder of any shares of the Corporation shall immediately notify the Corporation of any loss, theft or mutilation of the certificate therefor. The Corporation may issue a new certificate for shares in the place of any certificate theretofore issued by it and alleged to have been lost, stolen, destroyed or mutilated, and the Board, the Chairman of the Board, any Vice Chairman of the Board, the

President or the Secretary may, in its or his discretion, require the owner of the lost, stolen, mutilated or destroyed certificate or his legal representatives to give the Corporation a bond in such sum, limited or unlimited, in such form and with such surety or sureties as the Board shall in its discretion determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft, mutilation or destruction of any such certificate or the issuance of any such new certificate.

SECTION 6. Fixing Date for Determination of Shareholders of Record. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than seventy nor less than ten days before the date of such meeting, nor more than seventy days prior to any other action. A determination of shareholders entitled to notice of or to vote at a meeting of the shareholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

ARTICLE IX

SEAL

The Board shall provide a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation.

ARTICLE X

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of October in each year.

ARTICLE XI

INDEMNIFICATION

SECTION 1. Every person who is or was an officer or employee of the Corporation or of any other corporation or entity in which he served as a director, officer or employee at the request of the Corporation (hereinafter collectively referred to as a "Covered Person"), shall be indemnified by the Corporation against any and all reasonable costs and expenses (including but not limited to attorney's fees) and any liabilities (including but not limited to judgments, fines, penalties and reasonable settlements) that may be paid by or imposed against him in connection with or resulting from any pending, threatened or completed claim, action, suit or proceeding (whether brought by or in the right of the Corporation or such other corporation or entity or otherwise), and whether, civil, criminal, administrative, investigative or legislative (including any appeal relating thereto), in which he may be involved, as a party or witness or otherwise, by reason of his being or having been an officer or employee of the Corporation or a director, officer or employee of such other corporation or entity, or by reasons of any action taken or not taken in such capacity, whether or not he continues to be such at the time such liability or expense shall have been paid or imposed, if the Covered Person:

(a) has been successful on the merits or otherwise with respect to such claim, action, suit or proceeding; or

(b) acted in good faith, in what he reasonably believed to be the best interests of the Corporation or such other corporation or entity, as the case may be, and in addition, in any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

As used in this Article XI, the terms "expense" and "liability" shall include, but not be limited to, counsel fees and disbursements and amounts of judgments, fines or penalties against, and reasonable amounts paid in settlement by, a Covered Person. The termination of any claim, action, suit or proceeding by judgment, settlement (whether with or without court approval), conviction or upon a plea of guilty or nolo contendere, or its equivalent, shall not create a presumption that a Covered Person did not meet the standards of conduct set forth in paragraph (b) of this Section 1.

SECTION 2. Indemnification under paragraph (b) of Section 1 shall be made unless it is determined by any of the following that the Covered Person has not met the standard of conduct set forth in paragraph (b) of Section 1:

(a) the Board, acting by a quorum consisting of directors who were not parties to (or who are determined to have been successful with respect to) the claim, action, suit or proceeding;

(b) a committee of the Board established pursuant to Section 3 of Article IV of the By-laws consisting of directors who were not parties to (or who are determined to have been successful with respect to) the claim, action, suit or proceeding;

(c) any officer or group of officers of the Corporation who, by resolution adopted by the Board, has been given authority to make such determinations;

(d) either of the following selected by the Board if a disinterested committee of the Board (as described in paragraph (b) of this Section 2) cannot be obtained or by the person(s) designated in paragraphs (a), (b) or (c) of this Section 2:

(1) independent legal counsel (who may be the regular counsel of the Corporation) who has delivered to the Corporation a written determination; or

(2) an arbitrator or a panel of arbitrators (which panel may include directors, officers, employees or agents of the Corporation) who has delivered to the Corporation a written determination.

SECTION 3. Expenses incurred with respect to any claim, action, suit or

proceeding of the character described in Section 1 of this Article XI shall be advanced to a Covered Person by the Corporation prior to the final disposition thereof, but the Covered Person shall be obligated to repay such advances if it is ultimately determined that he is not entitled to indemnification. As a condition to advancing expenses hereunder, the Corporation may require the Covered Person to sign a written instrument acknowledging his obligation to repay any advances hereunder if it is ultimately determined he is not entitled to indemnity.

Notwithstanding the preceding paragraph, the Corporation may refuse to advance expenses or may discontinue advancing expenses to a Covered Person if such advancement is determined by the Corporation, in its sole and exclusive discretion, not to be in the best interest of the Corporation.

SECTION 4. Notwithstanding anything in this Article XI to the contrary, no person shall be indemnified in respect of any claim, action, suit or proceeding initiated by such person or his personal or legal representative, or which involved the voluntary solicitation or intervention of such person or his personal or legal representative (other than an action to enforce indemnification rights hereunder or an action initiated with the approval of a majority of the Board).

SECTION 5. The rights of indemnification provided in this Article XI shall be in addition to any other rights to which any Covered Person may otherwise be entitled to by contract, vote of shareholders or disinterested directors, other corporate action or otherwise; and in the event of any such person's death, such rights shall extend to his heirs and legal representatives.

ARTICLE XII

AMENDMENTS

Any By-law may be adopted, repealed, altered or amended by the Board at any regular or special meeting thereof. The shareholders of the Corporation shall have the power to amend, alter to repeal any By-law only to the extent and in the manner provided in the Second Restated Articles of Incorporation of the Corporation.

AMENDED STOCK INCENTIVE PLAN FOR KEY EMPLOYEES
OF ASHLAND OIL, INC. AND ITS SUBSIDIARIES

SECTION 1. PURPOSE

The purpose of this amended Stock Incentive Plan For Key Employees of Ashland Oil, Inc. And Its Subsidiaries (herein called the "Plan") is to revise the Incentive Stock Option Plan For Key Employees of Ashland Oil, Inc. And Its Subsidiaries (1981) (such plan as it existed prior to the effective date of the Plan hereinafter referred to as the "1981 Plan") and to promote the interests of Ashland Oil, Inc. (herein called "Ashland") and its shareholders by providing their officers and key employees with an incentive to continue service with Ashland and its subsidiaries. Through the grant of stock options, stock appreciation rights and Restricted Stock awards (collectively referred to as "Grants"), Ashland seeks to attract and retain in its employ individuals of training, experience and ability and to furnish additional incentive to officers and other key employees upon whose judgment, initiative and efforts the successful conduct of its business largely depends.

SECTION 2. ADMINISTRATION

(a) The Plan shall be administered by the Personnel and Compensation Committee of the Board of Directors of Ashland (herein called the "Committee"), consisting of not less than three directors of Ashland who shall be appointed, from time to time, by the Board of Directors of Ashland. No person who is (or, within one year prior to his or her appointment as a member of the Committee, was) eligible to participate in the Plan shall be a member of the Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority to interpret the Plan, to prescribe, amend, and rescind from time to time rules and regulations relating to the Plan, to determine the eligible employees to whom Grants shall be made, to determine whether any option hereunder shall be deemed to be an "incentive stock option" as provided by Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") (herein referred to as "incentive stock options") or an option not qualifying as an "incentive stock option" under the Code (herein referred to as "non-qualified options"), to determine the terms and provisions of the respective Grants (which terms and provisions need not be the same in each case), and to make all other determinations deemed necessary or advisable for the administration of the Plan. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to Ashland's success and such other factors as the Committee in its discretion shall deem relevant. The determinations of the Committee on the matters referred to in this Section 2 shall be conclusive.

(b) All determinations of the Committee shall be made by not less than a majority of its members. Any decision or determination reduced to writing and signed by all the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. No member of the Committee shall be liable, in the absence of bad faith, for any act or omission with respect to his or her services on the Committee. Services on the Committee shall constitute services as a Director of Ashland so that members of the Committee shall be entitled to indemnification and reimbursement for their services as members of the Committee to the same extent as for services as Directors of Ashland.

SECTION 3. STOCK SUBJECT TO THE PLAN

There will be reserved for issuance upon the exercise of options and stock appreciation rights and upon awards of Restricted Stock (as defined in Section 13), to be granted from time to time under the Plan, an aggregate of 2,000,000 shares of Ashland Common Stock, par value \$1.00 per share ("Common Stock") (which shares include shares heretofore provided for under the 1981 Plan). Such shares may be in whole or in part, as the Board of Directors of Ashland (the "Board") shall from time to time determine, authorized and unissued shares of Common Stock or issued shares of Common Stock which shall have been reacquired by Ashland. If any option or stock appreciation right granted under the Plan shall expire or

1

terminate for any reason without having been exercised (or considered to have been exercised as provided in Section 7) in full, the shares subject thereto shall again be available for the purposes of the Plan.

SECTION 4. ELIGIBILITY

Options and Restricted Stock may be granted only to salaried employees (which term shall be deemed to include officers) of Ashland and of its present and future subsidiary corporations as defined in Section 424 of the Code ("subsidiaries"). A director of Ashland or of a subsidiary who is not also such an employee of Ashland or of one of its subsidiaries will not be eligible to receive any options or Restricted Stock under the Plan. Options may be granted to employees who hold or have held options under previous plans. An employee who has been granted an option may be granted an additional option or options.

Notwithstanding anything to the contrary contained herein, in the case of incentive stock options, the maximum aggregate fair market value (determined at the time each incentive stock option is granted under the Plan) of the shares of Common Stock for which any individual employee may be granted incentive stock options under the Plan in any calendar year (and under all other plans of Ashland or any subsidiary which provide for the granting of incentive stock options). For purposes of this paragraph, fair market value of Common Stock shall be the closing price of the Common Stock as reported on the

Composite Tape on the date of the grant of an incentive stock option under the Plan or, if there is no trading at the Common Stock on the date in question, then the closing price of the Common Stock, as so reported, on the next preceding date on which there was trading in the Common Stock.

SECTION 5. PERIOD OF PLAN AND DURATION OF OPTIONS

(a) No options or Restricted Stock awards shall be granted under the Plan after November 7, 1994.

(b) Every incentive stock option shall provide for a fixed expiration date of not later than ten years from the date such incentive option is granted.

SECTION 6. OPTION DESIGNATION AND PRICE

(a) Any option granted under the Plan may be granted as an incentive stock option or as a non-qualified stock option as shall be designated at the time of the grant of such option.

(b) The option price per share of the Common Stock underlying each option shall be fixed by the Committee, but shall not be less than 100% of the fair market value of the stock at the time of the granting of the options. Such fair market value shall be determined by the Committee which may use any reasonable method of valuation, including the closing price of the Common Stock as reported on the Composite Tape on the date on which the option is granted.

SECTION 7. EXERCISE OF OPTIONS.

(a) The Committee may in its discretion prescribe in the option grant the installments, if any, in which an option granted under the Plan shall become exercisable provided that no option shall be exercisable prior to the first anniversary of the date of its grant except as provided in Section 12 or as the Committee otherwise determines. In no case may an option be exercised at any time for less than 50 shares (or the remaining shares covered by the option if less than 50 shares) during the term of the option. The specified number of shares will be issued upon receipt by Ashland of (i) notice from the optionee of exercise of an option and (ii) either payment to Ashland of the option price of the number of shares with respect to which the option is exercised or (with approval of the Committee) a promissory note as provided in Section 8 hereof. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Treasurer of Ashland at Ashland's Executive Offices at 1000 Ashland Drive, Russell, Kentucky, or such other place as Ashland may designate from time to time.

(b) An incentive stock option shall not be exercisable while there is outstanding any incentive stock option which was granted before the granting of such option to such employee to purchase stock of

Ashland or a subsidiary (determined at the time of granting of such option) or a predecessor of any of such corporations. An option shall be treated as outstanding for this purpose until it is exercised in full or expires by reason of lapse of time.

SECTION 8. PAYMENT FOR SHARES

Except as otherwise provided in this Section 8, the option price shall be paid in full when the option is exercised. The price may be paid in whole or in part in (a) cash or (b) whole shares of Common Stock evidenced by negotiable certificates, valued at their fair market value on the date of exercise (which shares of Common Stock must have been owned by the employee six months or longer in the case of the exercise of options which were granted after May 21, 1992), (c) by a combination of such methods of payment, or (d) such other consideration as shall be approved by the Committee (including without limitation, assurance satisfactory to the Committee from a broker registered under the Securities Exchange Act of 1934, of the delivery of the proceeds of an imminent sale of the stock to be issued pursuant to the exercise of such option, such sale to be made at the discretion of the employee). For these purposes, "fair market value" shall be computed in the same manner as was the grant. If certificates representing shares of Common Stock are used to pay all or part of the purchase price of an option, separate certificates shall be delivered by Ashland representing the same number of shares as each certificate so used and an additional certificate shall be delivered representing the additional shares to which the employee is entitled as a result of exercise of the option. Moreover, an employee may request Ashland to "pyramid" his shares; that is, to automatically apply the shares which he is entitled to receive on the exercise of a portion of a stock option to satisfy the exercise for additional portions of the option, thus resulting in multiple simultaneous exercises of options by use of whole shares as payment.

The Committee may in its discretion authorize payment of all or any part of the option price over a period of not more than five years from the date the option is exercised. Any unpaid balance of the option price shall be evidenced by the employee's promissory note payable to the order of Ashland which shall bear interest at such rate or rates as determined from time to time by the Committee, but not less than the lower of the prevailing base rate of interest or the most favorable rate of interest charged to commercial borrowers as announced by any major U.S. bank on the date the option is exercised, and shall be payable in full within not later than five years after the date the option is exercised.

SECTION 9. GOVERNANCE OF PLANS

Notwithstanding any terms or provisions to the contrary all incentive stock options outstanding prior to November 8, 1984, shall continue to be governed by the terms and provisions of the 1981 Plan.

SECTION 10. GENERAL STOCK APPRECIATION RIGHTS

The Committee may grant general stock appreciation rights ("SARs") pursuant to the provisions of this Section 10 to the holder of any option granted under the Plan (a "related option") with respect to all or a portion of the shares subject to the related option. An SAR may only be granted concurrently with the grant of the related option. Subject to the terms and provisions of this Section 10, each SAR shall be exercisable only at the same time and to the same extent the related option is exercisable and in no event after the termination of the related option. SARs shall be exercisable only when the fair market value (determined as of the date of exercise of the SARs) of each share of Common Stock with respect to which the SARs are to be exercised shall exceed the option price per share of Common Stock subject to the related option. SARs granted under the Plan shall be exercisable in whole or in part by notice to Ashland. Such notice shall state that the holder of the SARs elects to exercise the SARs and the number of shares in respect of which the SARs are being exercised.

Subject to the terms and provisions of this Section 10, upon the exercise of SARs, the holder thereof shall be entitled to receive from Ashland consideration (in the form hereinafter provided) equal in value to the excess of the fair market value (determined as of the date of exercise of the SARs) of each share of

Common Stock with respect to which such SARs have been exercised over the option price per share of Common Stock subject to the related option. Upon the exercise of an SAR, the holder may specify the form of consideration to be received by such holder, which shall be in shares of Common Stock (valued at fair market value on the date of exercise of the SAR), or in cash, or partly in cash and partly in shares of Common Stock, as the holder shall request; provided, however, that the Committee, in its sole discretion, may disapprove the form of consideration requested and instead authorize the payment of such consideration in shares of Common Stock (valued as aforesaid), or in cash, or partly in cash and partly in shares of Common Stock, as the Committee shall determine. For purposes of this Section 10, (a) fair market value of a share of Common Stock shall be the mean between the high and low sales prices thereof on the Composite Tape on the date of exercise of an SAR or, if there is no trading of the Common Stock on the date in question, then the closing price of the Common Stock, as so reported, on the next preceding date on which there was trading in the Common Stock, and (b) the date of exercise of an SAR shall mean the date on which the Company shall have received notice from the holder of the SAR of the exercise of such SAR.

Upon the exercise of SARs, the related option shall be considered to have been exercised (a) to the extent of the number of shares of Common Stock with respect to which such SARs are exercised and (b) to that extent for purposes of determining the number of shares of Common Stock available for the grant of options and Restricted Stock under the Plan. Upon the exercise or termination of the related option, the SARs with respect to such related option shall be considered to have been exercised or terminated to the extent of the number of shares of Common Stock with respect to which the related option was so exercised or terminated.

SECTION 11. NONTRANSFERABILITY OF OPTIONS AND STOCK APPRECIATION RIGHTS

No option or SAR granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, and an option or SAR may be exercised, during the lifetime of the holder thereof, only by him or her.

SECTION 12. CONTINUED EMPLOYMENT AND AGREEMENT TO SERVE

(a) Subject to the provisions of Paragraphs (b), (c) and (e) of this Section 12, every option shall provide that it may not be exercised in whole or in part for a period of one year after the date of granting such option and if the employment of the employee shall be terminated, for any reason other than death or disability as determined by the Committee, prior to the end of such one year period, the option granted to such employee shall immediately terminate.

(b) Every option shall provide that in the event of the death of the employee while employed by Ashland or one of its subsidiaries or death during the one-year period of disability described in Paragraph (c) of this section 12 or within three months after cessation of employment for any cause, it shall be exercisable, at any time or from time to time, prior to the fixed termination date set forth in the option, by the estate of the decedent, or by any person who shall acquire the right to exercise such option by bequest or by the laws of descent and distribution for the full number of optioned shares or any part thereof, less such number as may have been theretofore acquired under the option.

(c) Every option shall provide that in the event the employment of any employee shall cease by reason of total and permanent disability within the meaning of Section 105(d)(4) of the Code as determined by the Committee at any time during the term of the option, it shall be exercisable, at any time or from time to time by such employee prior to the fixed termination date set forth in the option, during a period of one year of continuing disability following termination of employment by reason of such disability for the full number of optioned shares or any part thereof, less such number as may have been theretofore acquired under the option.

(d) Except as provided in Paragraphs (a), (b), (c) and (e) of this Section 12, every option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the option or three

months after cessation of the employee's employment for any cause, and, except as provided in Paragraph (e) of this Section 12, if exercised after cessation of such employment, may be exercised only in respect of the number of shares which the employee could have acquired under the option immediately prior to such cessation of employment. No option may be exercised after the fixed termination date set forth in the option.

(e) Notwithstanding any provision of this Section 12 to the contrary, any option granted pursuant to the Plan and any related SAR may, in the discretion of the Committee or as provided in the relevant option agreement, become fully exercisable as to all optioned shares (i) from and after the time the employee ceases to be an employee of Ashland or any of its subsidiaries as a result of the sale or other disposition by Ashland of assets or property (including shares of any subsidiary) in respect of which the employee had theretofore been employed or as a result of which optionee's continued employment with Ashland or any subsidiary is no longer required and (ii) in the case of a change in control (as hereinafter defined) of Ashland from and after the date of such change in control. For purposes of this Paragraph (e), the term "change in control" shall be deemed to occur (1) upon the approval by the Board of Directors of Ashland (or if approval of the Board of Directors of Ashland is not required as a matter of law, the shareholders of Ashland) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, or (2) when any "person" (as defined in Section 13(d) of the Securities Exchange Act of 1934), other than Ashland or any subsidiary or employee benefit plan or trust maintained by Ashland or any of its subsidiaries, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 20% of the Common Stock outstanding at the time, without the prior approval of the Board of Directors of Ashland.

(f) Each employee granted an option under this Plan shall agree by his or her acceptance of such option to remain in the service of Ashland or a subsidiary corporation of Ashland for a period of at least one year from the date of the option agreement between Ashland and the employee. Such service shall, subject to the terms of any contract between Ashland or any such subsidiary and such employee, be at the pleasure of Ashland or such subsidiary and at such compensation as Ashland or such subsidiary shall reasonably determine from time to time. Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue in the employment of Ashland or any of its subsidiaries or interfere in any way with the right of Ashland or any of its subsidiaries to terminate his or her employment at any time.

(g) Subject to the limitations set forth in Section 422 of the Code, the Committee may adopt, amend or rescind from time to time such provisions as it deems appropriate with respect to the effect of leaves of absence approved by any duly authorized officer of Ashland with respect to any optionee.

(h) The determination by the Committee of any question involving disability shall be conclusive and binding.

SECTION 13. RESTRICTED STOCK AWARDS

The Committee may grant to employees shares of Common Stock subject to certain restrictions (herein referred to as "Restricted Stock"). The amount of Restricted Stock to be granted to any eligible employee and the respective terms and conditions of such grant (which terms and provisions need not be the same in each case) shall be determined by the Committee in its sole discretion. As a condition to any award and the corresponding delivery of Restricted Stock hereunder, the Committee may require an employee to pay an amount equal to, or in excess of, the par value of the shares of Restricted Stock

awarded to him or her. Each certificate issued in respect of shares of Restricted Stock granted to a participant under the Plans shall be registered in the name of the participant and shall bear the following legend:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeitures) contained in Section 13 of the Stock Incentive Plan for Key Employees of Ashland Oil, Inc. and Its Subsidiaries and an Agreement entered into between the registered owner and Ashland Oil, Inc."

Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered during a "Restricted Period", which shall be determined by the Committee and which shall not be less than one year nor more than five years from the date of grant. The Committee may reduce the Restricted Period with respect to any outstanding shares of Restricted Stock at any time, but in no event shall the Restricted Period be less than one year. Except for such restrictions, the employee as the owner of the Common Stock issued as Restricted Stock shall have all rights of a shareholder including, but not limited to, the right to vote such Common Stock and to receive dividends thereon as and when paid.

In the event that an employee's employment is terminated by reason of death or physical or mental disability, or for such other reasons as the Committee may provide, the employee (or his or her estate) will receive his or her Restricted Stock subject to the terms of his or her employment agreement which agreement shall be in accordance with the terms and provisions set forth in Section 12(f) herein. In the case of voluntary resignation or any other termination of employment, an employee's Restricted Stock will be forfeited; provided, however, that the Committee may limit such forfeiture to that portion thereof which is proportional to the unexpired portion of the Restricted Period. Any forfeited Restricted Stock shall not again be available for the grant of options and Restricted Stock under the Plan.

At the end of the Restricted Period all shares of Restricted Stock shall be transferred free and clear of all restrictions to the employee. All such shares may also be transferred free and clear of all restrictions to the employee to the same extent provided in Section 12(e) either in the discretion of the Committee or as provided in the relevant employment agreement.

SECTION 14. WITHHOLDING TAXES

Federal, state or local law may require the withholding of taxes applicable to gains resulting from the exercise of non-qualified stock options granted hereunder. Unless otherwise prohibited by the Committee, each participant may satisfy any such tax withholding obligation by any of the following means, or by a combination of such means: (i) a cash payment; or (ii) authorizing Ashland to withhold from the shares of Ashland Common Stock otherwise issuable to the participant as a result of the exercise of the non-qualified stock option a number of shares having a fair market value, as of the date the withholding tax obligation arises (the "Tax Date"), which will satisfy the amount of the withholding tax obligation. A participant's election to pay the withholding tax obligation by (ii) above must be made on or before the Tax Date, is irrevocable, is subject to such rules as the Committee may adopt, and may be disapproved by the Committee.

SECTION 15. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event the market price of Common Stock shall decrease as a result of any recapitalization, reorganization, merger, consolidation, spinoff, separation, partial liquidation, or other transaction described in Section 424(a) of the Code, then, in the discretion of the Committee (and subject to any Internal Revenue Service requirements that may be applicable) the price per share of Common Stock under each option or Restricted Stock award granted pursuant to the Plan may be appropriately adjusted (and the number of shares subject to option or Restricted Stock awards may be appropriately adjusted). For purposes of the preceding sentence, the decrease in market price of Common Stock may be determined in any manner the Committee deems reasonable, including the comparison of such market price immediately before and immediately after the event giving rise to any such decrease, subject to internal Revenue Service requirements.

Adjustments under this Section 14 shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive, and the Committee in its discretion in making such adjustments may disregard fractional shares.

SECTION 16. AMENDMENTS AND TERMINATIONS

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no award shall be granted after, November 7, 1994. The Plan may be terminated, modified or amended by the shareholders of Ashland. The Board may at any time terminate, modify or amend the Plan in such respects as it shall deem advisable; provided, however, that the Board may not, without approval by the holders of a majority of the outstanding shares of stock present and voting at any annual or special meeting of shareholders of Ashland, (i) increase (except as provided in Section 14) the maximum number of shares as to which options or Restricted Stock may be granted under the Plan, (ii) change the class of employees eligible to receive options and Restricted Stock awards, (iii) change the manner of determining the minimum option prices other than to change the manner of determining the fair market value of the Common Stock as set forth in Section 6, or (iv) extend the period during which options or Restricted Stock awards may be granted or exercised. No termination, modification or amendment of the Plan may, without the consent of the employee to whom any option or Restricted Stock award shall theretofore have been granted, adversely affect the rights of such employee under such option or Restricted Stock award.

SECTION 17. EFFECTIVENESS OF THE PLAN

The Plan shall be effective on November 8, 1984, subject to its ratification by the holders of a majority of the shares of Ashland stock present and voting at the Annual Meeting of Shareholders of Ashland on January 31, 1985 or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. The Committee may in its discretion authorize the granting of options and Restricted Stock awards, the exercise of which shall be expressly subject to the conditions that (a) the Plan shall have been approved or ratified as aforesaid by the shareholders of Ashland, (b) the shares of Common Stock to be issued upon the exercise of options granted under the Plan shall have been duly listed, upon official notice of issuance, upon the New York Stock Exchange and (c) a Registration Statement under the Securities Act of 1933, as amended, with respect to such shares shall have become effective.

SECTION 18. TIME OF GRANTING OPTIONS AND RESTRICTED STOCK AWARDS

Nothing contained in the Plan or any resolutions adopted or to be adopted by the Board of Directors of Ashland or the shareholders of Ashland shall constitute the granting of any option or Restricted Stock award hereunder. Options and Restricted Stock awards shall be granted hereunder only by action of or pursuant to the authority of the Committee and the date of grant shall be the date fixed in the determination thereof by the Committee; provided, however, that no participant shall have any rights in respect of such grant unless and until he or she shall have executed and delivered an option or employment agreement, as the case may be, in form and substance satisfactory to the Committee.

SECTION 19. USE OF CERTAIN TERMS

Options, SARs and Restricted Stock awards granted under the Plan shall be binding upon Ashland, its successors and assigns. Unless the context otherwise requires, the terms used in the Plan which correspond to like terms defined in Sections 421 through 424, inclusive, of the Code and regulations and revenue rulings applicable thereto shall have the meanings attributed to them in said sections of such Code.

As Amended and Restated by the Board on March 17, 1994.

ASHLAND OIL, INC.
AMENDED PERFORMANCE UNIT PLAN

1. Purpose. The purpose of this Amended Ashland Oil, Inc. Performance Unit Plan (herein called the "Plan") is to amend Ashland's current Performance Unit Plan and to further the long-term, profitable growth of Ashland Oil, Inc., its subsidiaries and affiliates (hereinafter collectively called "Ashland") by offering a long-term incentive in addition to current compensation to key employees of Ashland who will be largely responsible for such growth to the benefit of the Ashland shareholders. It is expected that this plan will encourage such employees to remain with Ashland and will also encourage qualified persons to seek and accept employment with Ashland.

2. Stock Subject to this Plan. Any shares of Common Stock, par value \$1 per share ("Common Stock"), of Ashland Oil, Inc., used for purposes of this Plan may be in whole or in part, as the Board of Directors of Ashland Oil, Inc. ("Board of Directors") may from time to time determine, authorized and unissued shares of Common Stock or issued shares of Common Stock reacquired by Ashland.

3. Committee. This Plan shall be administered by the Personnel and Compensation Committee (the "Committee") which shall consist of not less than three members of the Board of Directors who are not eligible to participate in this Plan. The Committee shall be appointed by the Board of Directors, which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by not less than the majority of its members. Any decision or determination reduced to writing and signed by all the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary who shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

Subject to the express provisions of this Plan, the Committee shall have plenary authority to interpret this Plan, to award performance units, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective performance unit awards (which need not be identical) and to make all other determinations necessary or advisable for its administration.

4. Eligibility. Performance units may be awarded only to regular salaried employees (which term shall be deemed to include officers) of Ashland (hereinafter collectively called "Employees"). Any Employee may receive one or more awards of performance units as the Committee shall from time to time determine, and such determinations may be different as to different Employees and may vary as to different awards. A director of Ashland who is not also an Employee shall not be eligible to receive an award. Nothing contained in this Plan shall be construed to limit the right of Ashland to grant performance units or other forms of incentive compensation otherwise than under this Plan. The Plan shall not confer on any individual any right to continue in employ of Ashland or any of its subsidiaries or interfere in any way with the right of the Company or any of its subsidiaries to terminate his or her employment at any time, with or without cause, notwithstanding the possibility that the number of performance units exercisable by an employee under his or her award may thereby be reduced or eliminated.

5. Award of Performance Units. (a) Performance units shall be awarded to an Employee contingent upon future performance of Ashland and/or of his or her division or company. The Committee shall establish the performance measures applicable to such performance and the time period over which such performance shall be measured. Such measures may include, but shall not be limited to, return on net assets employed; cumulative earnings per share; or return on shareholder's equity.

The performance measures determined by the Committee shall be established in writing prior to the beginning of each performance period. The Committee shall have the discretion to later revise the performance measures only so as to reduce or eliminate the amount of compensation otherwise payable upon attainment of the performance measures. In no event shall the Committee be able to later revise the performance measures to increase the amount of compensation otherwise payable.

(b) In determining the number of performance units to be awarded, the Committee shall take into account an Employee's responsibility level, performance, potential, cash compensation level, incentive compensation awards and such other considerations as it deems appropriate. Each award shall be established in dollars and the number of performance units

therein shall be based on the Employee's base salary on the date of the award. The original amount of any award shall not exceed 400% of the Employee's then base salary; the amount paid out upon meeting the performance measures shall not exceed the amount of such award; and the total amount of payment under the Plan for each award period shall not exceed 2% of stockholders' equity as shown in the Annual Report to Shareholders at the end of the fiscal year next preceding the commencement of such award period.

(c) An award of performance units to an Employee shall terminate for all purposes if he does not remain continuously in the employ of Ashland at all times during his award period, except in the case of death, disability or retirement under an Ashland pension plan (including early retirement at the request of Ashland), except as may otherwise be determined by the Committee under particular circumstances. An Employee (or his estate) whose employment was terminated because of death, disability or retirement as aforesaid shall be entitled to receive a pro rata portion of the payment of his award based upon the portion of the performance period during which he was so employed, all as the Committee shall determine in each case.

(d) Payment with respect to performance units will be made to Employees on a date or dates fixed by the Committee but not earlier than two years nor more than four years after the start of the performance period established when such units were awarded. Payment may be made in one or more installments and may be made wholly in cash, wholly in shares of Common Stock or partly in cash and partly in such shares, all at the discretion of the Committee.

If payment of an award of performance units is to be made in cash or partly in cash, the amount of cash to be paid to an Employee on any payment date shall be the original dollar amount (or the part thereof determined by the Committee to be paid in cash) of such award, adjusted with respect to the meeting of the performance measures for such award. If payment of an award of performance units is to be made in shares of Common Stock or partly in such shares, the number of shares of Common Stock to be delivered to an Employee on any payment date shall be determined by dividing (x) the original dollar amount (or the part thereof determined by the Committee to be delivered in shares) of such award, adjusted with respect to the meeting of the performance measures for such award, by (y) the Fair Market Value of one share of Common Stock on the payment date. Any payment may be subject to such restrictions and conditions as the Committee may determine.

For purposes of this Paragraph 5, the term "Fair Market Value" of a share of Common Stock on any date shall mean the average of the daily closing prices of such a share for the 30 consecutive trading days commencing 45 trading days before the date in question, and the term "closing price" for any day shall mean the last sales price, or, in case no sale takes place on such day, the average of the closing bid and asked prices, in either case as officially quoted by the New York Stock Exchange, Inc., or, if the Common Stock is not then listed or admitted to trading on such Exchange, the average of the closing bid and asked prices as furnished by any member firm of the New York Stock Exchange, Inc. selected from time to time by the Committee for that purpose.

6. Nontransferability and No Shareholder Rights. No award of performance units under this Plan shall be transferable otherwise than by will or the laws of descent and distribution. The holder of an award of performance units shall have none of the rights of a shareholder with respect to such units until shares of Common Stock shall have been registered in the name of the person or persons receiving payment of such award on the transfer books upon such payment.

7. Amendment and Termination. Unless this Plan shall theretofore have been terminated as hereinafter provided, this Plan shall terminate on, and no awards shall be granted after, September 30, 1994. This Plan may be terminated, modified or amended by the shareholders of Ashland Oil, Inc. The Board of Directors may also terminate this Plan, or modify or amend this Plan in such respects as it shall deem advisable in order to conform to any change in any law or regulation applicable thereto, or in other respects which shall not change (i) the maximum amount which may be paid out with respect to performance units awarded under this Plan, (ii) the class of employees eligible to receive awards, (iii) the period during which awards may be made or (iv) the

provisions relating to the administration of this Plan by a committee consisting of directors not eligible to participate in this Plan as provided in Paragraph 3. No termination, modification or amendment of this Plan may, without the consent of the Employee to whom any performance units shall theretofore have been awarded, adversely affect the rights of such Employee under such award.

8. Committee Determinations. The determination of the Committee with respect to any question arising as to the award of performance units, the individuals selected for awards, the amount, terms, form and time of payment of performance units and the interpretation of this Plan shall be final, conclusive and binding.

As Amended and Restated by the Board on May 19, 1994.

ASHLAND OIL, INC.
LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the Ashland Oil, Inc. Long-Term Incentive Plan is to promote the interests of Ashland Oil, Inc. and its shareholders by providing its directors, officers and employees with an incentive to continue service with Ashland. Accordingly, the Company may grant to selected officers and employees Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Share awards in an effort to attract and retain in its employ qualified individuals and to provide such individuals with additional incentive to devote their best efforts to the Company through ownership of the Company's stock, thus enhancing the value of the Company for the benefit of shareholders. The Plan also provides an incentive for qualified persons, who are not officers or employees of the Company, to serve on the Board of Directors of the Company and to continue to work for the best interests of the Company by rewarding such persons with automatic grants of Restricted Stock of the Company. Stock Options, Stock Appreciation Rights and Performance Shares may not be granted to such Outside Directors under the Plan.

SECTION 2. DEFINITIONS

(A) "Agreement" shall mean a written agreement setting forth the terms of an Award.

(B) "Ashland" shall mean, collectively, Ashland Oil, Inc. and its Subsidiaries.

(C) "Award" shall mean an Option (which may be designated as a Nonqualified or Incentive Stock Option), a Stock Appreciation Right, a Restricted Stock Award, or a Performance Share Award, in each case granted under this Plan.

(D) "Beneficiary" shall mean the person, persons, trust or trusts designated by an Employee or Outside Director or if no designation has been made, the person, persons, trust, or trusts entitled by will or the laws of descent and distribution to receive the benefits specified under this Plan in the event of an Employee's or Outside Director's death.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Change in Control" shall be deemed to occur (1) upon the approval by the Board (or if approval of the Board is not required as a matter of law, the shareholders of Ashland) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, (2) when any "person" (as defined in Section 13(d) of the Exchange Act), other than Ashland or any subsidiary or employee benefit plan or trust maintained by Ashland, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, or more than 20% of Ashland's Common Stock outstanding at the time, without the prior approval of the Board, or (3) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

(G) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(H) "Committee" shall mean the Personnel and Compensation Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions, which shall consist of

(I) "Common Stock" shall mean the Common Stock of the Company (\$1.00 par value), subject to adjustment pursuant to Section 12.

(J) "Company" shall mean, collectively, Ashland Oil, Inc. and its Subsidiaries.

(K) "Disinterested" shall mean disinterested within the meaning of applicable regulatory requirements, including those promulgated under Section 16 of the Exchange Act.

(L) "Employee" shall mean an officer or employee of the Company.

(M) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(N) "Exercise Price" shall mean, with respect to each share of Common Stock subject to an Option, the price fixed by the Committee at which such share may be purchased from the Company pursuant to the exercise of such Option, which price at no time may be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted.

(O) "Fair Market Value" shall mean the closing price of the Common Stock as reported on the Composite Tape, or, if there is no trading of the Common Stock on the date in question, then the closing price of the Common Stock, as so reported, on the next preceding date on which there was trading in the Common Stock.

(P) "Incentive Stock Option" or "ISO" shall mean an Option that is intended by the Committee to meet the requirements of Section 422 of the Code or any successor provision.

(Q) "Nonqualified Stock Option" or "NQSO" shall mean an Option granted pursuant to this Plan which does not qualify as an Incentive Stock Option.

(R) "Option" shall mean the right to purchase Common Stock at a price to be specified and upon terms to be designated by the Committee pursuant to this Plan. An Option shall be designated by the Committee as a Nonqualified Stock Option or an Incentive Stock Option.

(S) "Outside Director" shall mean a director of the Company who is not also an Employee of the Company.

(T) "Performance Period" shall mean the period designated by the Committee during which the performance objectives shall be measured.

(U) "Performance Share Award" shall mean an award of shares of Common Stock, the issuance of which is contingent upon attainment of performance objectives specified by the Committee.

(V) "Performance Shares" shall mean those shares of Common Stock issuable pursuant to a Performance Share Award.

(W) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of an Employee or Outside Director, shall have acquired on behalf of the Employee or Outside Director by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

(X) "Plan" shall mean this Ashland Oil, Inc. Long-Term Incentive Plan.

(Y) "Restricted Period" shall mean the period designated by the Committee during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered, which period in the case of Employees shall not be less than one year nor more than five years from the date of grant, and in the case of Outside Directors is the period set forth in subsection (B) of Section 8.

(Z) "Restricted Stock" shall mean those shares of Common Stock issued pursuant to a Restricted Stock Award which are subject to the restrictions, terms, and conditions set forth in the related Agreement.

(AA) "Restricted Stock Award" shall mean an award of Restricted Stock.

(BB) "Retained Distributions" shall mean any securities or other property (other than regular cash dividends) distributed by the Company in respect of Restricted Stock during any Restricted Period.

(CC) "Retirement" shall mean retirement of an Employee from the employ of the Company at any time as described in the Ashland Oil, Inc. and Affiliates Pension Plan or in any successor pension plan, as from time to time in effect.

(DD) "Section 16(b) Optionee" shall mean an Employee or former Employee who is subject to Section 16(b) of the Exchange Act.

(EE) "Stock Appreciation Right" or "SAR" shall mean the right of the holder to elect to surrender an Option or any portion thereof which is then exercisable and receive in exchange therefor shares of Common Stock, cash, or a combination thereof, as the case may be, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock over the Exercise Price specified in such Option multiplied by the number of shares of Common Stock covered by such Option or portion thereof which is so surrendered. An SAR may be granted as part of an Option or as a separate right to any holder of any Option theretofore or then being granted under this Plan. An SAR shall be exercisable upon any additional terms and conditions (including, without limitation, the issuance of Restricted Stock and the imposition of restrictions upon the timing of exercise) which may be determined as provided in the Plan.

(FF) "Subsidiary" shall mean any present or future subsidiary corporations, as defined in Section 424 of the Code, of Ashland.

(GG) "Tax Date" shall mean the date the withholding tax obligation arises with respect to the exercise of an Award.

SECTION 3. STOCK SUBJECT TO THE PLAN

There will be reserved for issuance under the Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock and Performance Shares and for stock bonuses on deferred awards of Restricted Stock and Performance Shares), an aggregate of 3,000,000 shares of Ashland Common Stock, par value \$1.00 per share. Such shares shall be authorized but unissued shares of Common Stock. Except as provided in Sections 7 and 8, if any Award under the Plan shall expire or terminate for any reason without having been exercised in full, or if any Award shall be forfeited, the shares subject to the unexercised or forfeited portion of such Award shall again be available for the purposes of the Plan.

SECTION 4. ADMINISTRATION

The Plan shall be administered by the Committee. No person who is (or, within one year prior to his or her appointment as a member of the Committee, was) eligible to participate in the Plan, except as specifically authorized under subsection (B) of Section 8 herein, or in any other stock option or stock bonus plan of the Company, shall be a member of the Committee. The Committee shall have no authority regarding the granting of Restricted Stock to Outside Directors, as such grants are fixed pursuant to subsection (B) of Section 8 of the Plan.

In addition to any implied powers and duties that may be needed to carry out the provisions of the Plan, the Committee shall have all the powers vested in it by the terms of the Plan, including exclusive authority (except as to Awards of Restricted Stock granted to Outside Directors) to select the Employees to be granted Awards under the Plan, to determine the type, size and terms of the Awards to be made to each Employee selected, to determine the time when Awards will be granted, and to prescribe the form of the Agreements embodying Awards made under the Plan. Subject to the provisions of the Plan specifically governing Awards of Restricted Stock granted or to be granted to Outside Directors pursuant to subsection (B) of Section 8 herein, the Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make any other determinations which it believes necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive.

The Committee may act only by a majority of its members. Any determination of the Committee may be made, without notice, by the written consent of the majority of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for any action taken or omitted to be taken by him or her or by any other member of the Committee in connection with the Plan, except for his or her own willful misconduct or as expressly provided by statute.

The provisions of this Section 4 with respect to decisions made by, and authority of, the Committee shall be subject to the provisions of subsection (B) of Section 8 herein.

SECTION 5. ELIGIBILITY

Awards may only be granted (i) to individuals who are Employees of Ashland, and (ii) as expressly provided in subsection (B) of Section 8 of the Plan, to individuals who are duly elected Outside Directors of Ashland.

SECTION 6. STOCK OPTIONS

A. Designation and Price.

(a) Any Option granted under the Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committee at the time of the grant of such Option. Each Option shall be evidenced by an Agreement between the recipient and the Company, which Agreement shall specify the designation of the Option as an ISO or a NQSO, as the case may be, and shall contain such terms and conditions as the Committee, in its sole discretion, may determine in accordance with the Plan.

(b) Every Incentive Stock Option shall provide for a fixed expiration date of not later than ten years from the date such Incentive Stock Option is granted.

(c) The Exercise Price of Common Stock issued pursuant to each Option shall be fixed by the Committee at the time of the granting of the Option; provided, however, that such Exercise Price shall in no event be less than 100% of the Fair Market Value of the Common Stock on the date such Option is granted.

B. Exercise.

The Committee may, in its discretion, provide for Options granted under the Plan to be exercisable in whole or in part; provided, however, that no Option shall be exercisable prior to the first anniversary of the date of its grant, except as provided in Section 10 or as the Committee otherwise determines in accordance with the Plan, and in no case may an Option be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. The specified number of shares will be issued upon receipt by Ashland of (i) notice from the optionee of exercise of an Option, and (ii) either payment to Ashland (as provided in this Section 6, subsection (C) below), of the Exercise Price for the number of shares with respect to which the Option is exercised, or with approval of the Committee, a promissory note as hereinafter provided. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Treasurer of Ashland at Ashland Oil, Inc., 1000 Ashland Drive, Russell, Kentucky, 41169, or such other place as Ashland may designate from time to time. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an ISO and for those shares acquired pursuant to a NQSO.

C. Payment for Shares.

Except as otherwise provided in this Section 6, the Exercise Price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committee may impose, the Exercise Price may be paid in whole or in part in (i) cash, (ii) whole shares of Common Stock owned by the Employee six months or longer and evidenced by negotiable certificates, valued at their Fair Market Value

on the date of exercise, (iii) by a combination of such methods of payment, or (iv) such other consideration as shall be approved by the Committee (including without limitation, assurance satisfactory to the Committee from a broker registered under the Exchange Act, of the delivery of the proceeds of an imminent sale of the stock to be issued pursuant to the exercise of such Option, such sale to be made at the direction of the Employee). If certificates representing shares of Common Stock are used to pay all or part of the Exercise Price of an Option, separate certificates shall be delivered by Ashland representing the same number of shares as each certificate so used and an additional certificate shall be delivered representing any additional shares to which the Employee is entitled as a result of exercise of the Option. Moreover, if so provided in the Agreement, and subject to such restrictions, terms and conditions as the Committee may impose, an Employee may request Ashland to "pyramid" his or her shares; that is, to automatically apply the shares which he or she is entitled to receive on the exercise of a portion of an Option to satisfy the exercise for additional portions of the Option, thus resulting in multiple simultaneous exercises of an Option by use of whole shares as payment.

The Committee may, in its discretion, authorize payment of all or any part of the Exercise Price over a period of not more than five years from the date the Option is exercised. In such instance any unpaid balance of the Exercise Price shall be evidenced by the Employee's promissory note payable to the order of Ashland which shall bear interest at such rate or rates as determined from time to time by the Committee.

SECTION 7. STOCK APPRECIATION RIGHTS

The Committee may grant Stock Appreciation Rights pursuant to the provisions of this Section 7 to any holder of any Option granted under the Plan with respect to all or a portion of the shares subject to the related Option. An SAR may be granted as part of an Option or as a separate right to any holder of any Option theretofore or then being granted under this Plan. Subject to the terms and provisions of this Section 7, each SAR shall be exercisable only at the same time and to the same extent the related Option is exercisable and in no event after the termination of the related Option. An SAR shall be exercisable only when the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which the SAR is to be exercised shall exceed the Exercise Price per share of Common Stock subject to the related Option. An SAR granted under the Plan shall be exercisable in whole or in part by notice to Ashland. Such notice shall state that the holder of the SAR elects to exercise the SAR and the number of shares in respect of which the SAR is being exercised. For purposes of this Section 7, the date of exercise of an SAR shall mean the date on which the Company receives such notice.

Subject to the terms and provisions of this Section 7, upon the exercise of an SAR, the holder thereof shall be entitled to receive from Ashland consideration (in the form hereinafter provided) equal in value to the excess of the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which such SAR has been exercised over the Exercise Price per share of Common Stock subject to the related Option. The Committee may stipulate in the Agreement the form of consideration which shall be received upon the exercise of an SAR. If no consideration is specified therein, upon the exercise of an SAR, the holder may specify the form of consideration to be received by such holder, which shall be in shares of Common Stock (valued at Fair Market Value on the date of exercise of the SAR), or in cash, or partly in cash and partly in shares of Common Stock, as the holder shall request; provided, however, that the Committee, in its sole discretion, may disapprove the form of consideration requested and instead authorize the payment of such consideration in shares of Common Stock (valued as aforesaid), or in cash, or partly in cash and partly in shares of Common Stock.

Upon the exercise of an SAR, the related Option shall be deemed exercised to the extent of the number of shares of Common Stock with respect to which such SAR is exercised and to that extent for purposes of determining the number of shares of Common Stock available for the grant of Awards under the Plan. Upon the exercise or termination of the related Option, the SAR with respect thereto shall be considered to have been exercised or terminated to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated.

SECTION 8. RESTRICTED STOCK AWARDS

A. Awards to Employees

The Committee may make an award of Restricted Stock to selected Employees, evidenced by an Agreement which shall contain such terms and conditions as the Committee, in its sole discretion, may determine. The amount of each Restricted Stock Award and the respective terms and conditions of each Award (which terms and conditions need not be the same in each case) shall be determined by the Committee in its sole discretion. As a condition to any Award hereunder, the Committee may require an Employee to pay to the Company an amount equal to, or in excess of, the par value of the shares of Restricted Stock awarded to him or her. Any such Restricted Stock Award shall automatically expire if not purchased in accordance with the Committee's requirements within thirty (30) days after the date of grant. Subject to the terms and conditions of each Restricted Stock Award, the Employee, as the owner of the Common Stock issued as Restricted Stock, shall have all rights of a shareholder including, but not limited to, voting rights as to such Common Stock and the right to receive dividends thereon when, as and if paid.

In the event that a Restricted Stock Award has been made to an Employee whose employment or service is subsequently terminated by reason of death or physical or mental disability, or for such other reason as the Committee may provide, such Employee (or his or her estate) will receive his or her Restricted Stock subject to the terms of his or her Agreement with the Company, which Agreement shall be in accordance with the terms and conditions set forth in this Section 8. In the event that a Restricted Stock Award has been made to an Employee who subsequently voluntarily resigns or whose employment is terminated for any reason other than as referred to above, such Restricted Stock will be forfeited by such Employee; provided, however, that the Committee may limit such forfeiture to that portion thereof which is proportional to the unelapsed portion of the Restricted Period under such Award.

Employees may be offered the opportunity to defer the receipt of payment of vested shares of Restricted Stock, and Common Stock may be granted as a bonus for deferral, under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Restricted Stock so deferred per year over a five-year period.

B. Awards to Outside Directors

Subject to the limitation of the number of shares of Common Stock available pursuant to Section 3, effective immediately following the 1989 Annual Meeting of Shareholders of the Company, each person who at such time shall be a duly elected Outside Director is hereby granted, effective on such date, 1,000 shares of Restricted Stock subject to the terms and conditions set forth in this subsection (B) and subsection (C) below. Subsequent to the 1989 Annual Meeting of Shareholders of the Company, each person who has received no previous Award under the Plan and who is duly appointed or elected as an Outside Director of the Company is hereby granted, effective on the date of his or her appointment or election to the Board, 1,000 shares of Restricted Stock, subject to the terms and conditions set forth in this subsection (B) and subsection (C) below. as a condition to any Award hereunder, the Outside Director will be required to pay to the Company a non-refundable amount equal to the par value of the shares of Restricted Stock awarded to him or her. Upon the granting of the Restricted Stock Award, such Outside Director shall be entitled to all rights incident to ownership of Common Stock of the Company with respect to his or her Restricted Stock, including, but not limited to, the right to vote such shares of Restricted Stock and to receive dividends thereon when, as and if paid; provided, however, that in no case may any shares of Restricted Stock granted to an Outside Director be sold, assigned, transferred, pledged, or otherwise encumbered during the Restricted Period which shall not lapse until the earlier to occur of the following: (i) normal retirement from the Board at age 70, (ii) the death or disability of such Outside Director, or (iii) a 50% change in the beneficial ownership of the Company as defined in Rule 13d-3 under the Exchange Act. In the case of voluntary resignation or other termination of service of an Outside Director prior to the occurrence of any of the events described in (i), (ii) or (iii) of the preceding sentence, any grant of Restricted Stock made to him or her pursuant to this subsection (B) will be forfeited by such Outside Director.

C. Transferability

Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered during a Restricted Period, which, in the case of Employees, shall be determined by the Committee and which shall not be less than one year nor more than five years from the date such Restricted Stock was awarded, and, in the case of Outside Directors, shall be determined in accordance with subsection (B) of this Section 8. The Committee may at any time, reduce the Restricted Period with respect to any outstanding shares of Restricted Stock awarded under the Plan to Employees, but in no event shall such Restricted Period be less than one year.

During the Restricted Period, certificates representing the Restricted Stock and any Retained Distributions shall be registered in the recipient's name and bear a restrictive legend to the effect that ownership of such Restricted Stock (and any such Retained Distributions), and the enjoyment of all rights appurtenant thereto are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Agreement. Such certificates shall be deposited by the recipient with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions which shall be forfeited in accordance with the Plan and the applicable Agreement. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The recipient will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends, and to exercise all other rights, powers, and privileges of a holder of Common Stock with respect to such Restricted Stock, with the exception that (i) the recipient will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the restrictions applicable thereto shall have expired; (ii) the Company will retain custody of all Retained Distributions made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in separate accounts; (iii) the recipient may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Stock or any Retained Distributions during the Restricted Period; and (iv) a breach of any restrictions, terms, or conditions provided in the Plan or established by the Committee with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto. Any forfeited Restricted Stock shall not again be available for the grant of Awards under the Plan.

SECTION 9. PERFORMANCE SHARES

The Committee may make awards of Common Stock, evidenced by an Agreement, to selected Employees on the basis of the Company's financial performance in any given period. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees who shall receive such Performance Shares, to determine the number of such shares to be granted for each Performance Period, and to determine the duration of each such Performance Period. There may be more than one Performance Period in existence at any one time, and the duration of Performance Periods may differ from each other.

The Committee shall establish performance measures for each Performance Period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time, in its sole discretion, determine. Such measures may include, but shall not be limited to, return on investments, cumulative earnings per share, or return on shareholders' equity. The performance measures determined by the Committee shall be established prior to the beginning of each Performance Period but may be subject to such later revisions as the Committee shall deem appropriate. Performance Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered, except as herein provided and as provided in Section 10(e), during the Performance Period.

The Committee shall determine, in its sole discretion, the manner of payment, which may include (i) cash, (ii) shares of Common Stock, or (iii) shares of Restricted Stock in such proportions as the Committee shall determine. Employees may be offered the opportunity to defer the receipt of payment of earned Performance Shares, and Common Stock may be granted as a bonus for deferral under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Performance Shares so deferred per year over a five-year period.

An Employee must be employed by the Company at the end of a Performance Period in order to be entitled to payment of Performance Shares in respect of such period; provided, however, that in the event of an Employee's cessation of employment before the end of such period, or upon the occurrence of his or her death, retirement, or disability, or other reason approved by the Committee, the Committee may, in its discretion, limit such forfeiture to that portion of the Performance Shares deemed not earned.

SECTION 10. CONTINUED EMPLOYMENT AND AGREEMENT TO SERVE

(a) Subject to the provisions of paragraphs (b), (c) and (e) of this Section 10, every Option and SAR shall provide that it may not be exercised in whole or in part for a period of one year after the date of granting such Option and, if the employment of the Employee shall be terminated, for any reason other than death or disability as determined by the Committee, prior to the end of such one year period, the Option granted to such Employee shall immediately terminate.

(b) Every Option shall provide that in the event the Employee dies while employed by Ashland during the one-year period of disability described in paragraph (c) of this Section 10 or within three months after cessation of employment for any cause, such Option shall be exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option, by the Beneficiaries of the decedent for the full number of optioned shares or any part thereof, less such number as may have been theretofore acquired under the Option.

(c) Every Option shall provide that in the event the employment of any Employee shall cease by reason of total and permanent disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee at any time during the term of the Option, such Option shall be exercisable, at any time or from time to time by such Employee, during a period of one year of continuing disability following termination of employment by reason of such disability for the full number of optioned shares or any part thereof, less such number as may have been theretofore acquired under the Option. The determination by the Committee of any question involving disability shall be conclusive and binding.

(d) Except as provided in paragraphs (a), (b), (c) and (e) of this Section 10, every Option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the Option or three months after cessation of the Employee's employment for any cause except Retirement, in which event the Option shall be exercisable for a period of three years after such Retirement date, and, except as provided in paragraph (e) of this Section 10, if exercised after cessation of such employment or Retirement, may be exercised only in respect of the number of shares which the Employee could have acquired under the Option immediately prior to such cessation of employment or Retirement; provided, however, that no Option may be exercised after the fixed termination date set forth in the Option.

(e) Notwithstanding any provision of this Section 10 to the contrary, any Award granted pursuant to the Plan, except a Restricted Stock Award to Outside Directors, which is governed by Section 8, subsection (B), may, in the discretion of the Committee or as provided in the relevant Agreement, become exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Award for the full number of awarded shares or any part thereof, less such numbers as may have been theretofore acquired under the Award (i) from and after the time the Employee ceases to be an Employee of Ashland as a result of the sale or other disposition by Ashland of assets or property (including shares of any subsidiary) in respect of which such Employee had theretofore been employed or as a result of which such Employee's continued employment with Ashland is no longer required, and (ii) in the case of a Change in Control of Ashland, from and after the date of such Change in Control.

(f) Each Employee granted an Award under this Plan shall agree by his or her acceptance of such Award to remain in the service of Ashland for a period of at least one year from the date of the Agreement respecting the Award between Ashland and the Employee. Such service shall, subject to the terms of any contract between Ashland and such Employee, be at the pleasure of Ashland and at such compensation as Ashland shall reasonably determine from time to time. Nothing in the Plan, or in any Award granted pursuant to the Plan, shall confer on any individual any right to continue in the employment of or service to Ashland or interfere in any way with the right of Ashland to terminate the Employee's employment at any time.

(g) Subject to the limitations set forth in Section 422 of the Code, the Committee may adopt, amend, or rescind from time to time such provisions as it deems appropriate with respect to the effect of leaves of absence approved by any duly authorized officer of Ashland with respect to any Employee.

SECTION 11. WITHHOLDING TAXES

Federal, state or local law may require the withholding of taxes applicable to gains resulting from the exercise of an Award. Unless otherwise prohibited by the Committee, each Employee may satisfy any such tax withholding obligation by any of the following means, or by a combination of such means: (i) a cash payment, (ii) authorizing Ashland to withhold from the shares of Common Stock otherwise issuable to the Employee pursuant to the exercise or vesting of an Award a number of shares having a Fair Market Value, as of the Tax Date, which will satisfy the amount of the withholding tax obligation, or (iii) by delivery to Ashland of a number of shares of Common Stock having a Fair Market Value as of the Tax Date which will satisfy the amount of the withholding tax obligation arising from an exercise or vesting of an Award. An Employee's election to pay the withholding tax obligation by (ii) or (iii) above must be made on or before the Tax Date, is irrevocable, is subject to such rules as the Committee may adopt, and may be disapproved by the Committee. If the amount requested is not paid, the Committee may refuse to issue Common Stock under the Plan.

SECTION 12. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of any change in the outstanding Common Stock of the Company by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange of shares, split-up, split-off, spin-off, liquidation or other similar change in capitalization, or any distribution to common stockholders other than cash dividends, the number or kind of shares that may be issued under the Plan pursuant to Section 3 and the number or kind of shares subject to, or the price per share under any outstanding Award shall be automatically adjusted so that the proportionate interest of the Employee or Outside Director shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes of the Plan.

SECTION 13. AMENDMENTS AND TERMINATIONS

Unless the Plan shall have been terminated as hereinafter provided, the Plan shall terminate on, and no Award shall be granted after, November 3, 1993. The plan may be terminated, modified or amended by the shareholders of the Company. The Board may at any time terminate, modify or amend the Plan in such respects as it shall deem advisable; provided, however, that the Board may not, without approval by the holders of a majority of the outstanding shares of stock present and voting at any annual or special meeting of shareholders of Ashland: (i) increase (except as provided in Section 12) the maximum number of shares which may be issued pursuant to the Awards granted under the Plan, (ii) change the class of persons eligible to receive Awards, (iii) change the manner of determining the minimum Exercise Price of Options other than to change the manner of determining the Fair Market Value of the Common Stock as set forth in Section 2, (iv) extend the period during which Awards may be granted or exercised, or (v) amend any provision of the Plan insofar as it applies specifically to Restricted Stock Awards granted or to be granted to Outside Directors.

SECTION 14. MISCELLANEOUS PROVISIONS

(a) Except as to Awards to Outside Directors, no Employee or other person shall have any claim or right to be granted an Award under the Plan.

(b) An Employee's or Outside Director's rights and interest under the Plan may not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except in the event of an Employee's or Outside Director's death, by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any Employee or Outside Director in the Plan shall be subject to any obligation of liability of such individual. An Award shall be exercisable, during an Employee's lifetime, only by him or her or his or her Personal Representative. Except as specified in Section 8, the holder of an Award shall have none of the rights of a shareholder until the shares subject thereto shall have been registered in the name of the person or persons exercising the Award on the transfer books of the Company.

(c) No Common Stock shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable Federal, state, and other securities laws.

(d) The expenses of the Plan shall be borne by the Company.

(e) By accepting any Award under the Plan, each Employee and Outside Director and each Personal Representative or Beneficiary claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company or the Board.

(f) Awards granted under the Plan shall be binding upon Ashland, its successors, and assigns.

(g) The appropriate officers of the Company shall cause to be filed any reports, returns, or other information regarding Awards hereunder or any Common Stock issued pursuant hereto as may be required by Section 13 or 15(d) of the Exchange Act, or any other applicable statute, rule, or regulation.

(h) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required.

SECTION 15. EFFECTIVENESS OF THE PLAN

The Plan shall be submitted to the shareholders of the Company for their approval and adoption on January 26, 1989 or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. The Plan shall not be effective and no Award shall be made hereunder unless and until the Plan has been so approved and adopted at a meeting of the Company's shareholders.

SECTION 16. GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the Commonwealth of Kentucky.

As Amended and Restated by the Board on March 17, 1994.

ASHLAND OIL, INC.
1993 STOCK INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the Ashland Oil, Inc. 1993 Stock Incentive Plan is to promote the interests of Ashland Oil, Inc. and its shareholders by providing its directors, officers and employees with an incentive to continue service with Ashland. Accordingly, the Company may grant to selected officers and employees Stock Options, Stock Appreciation Rights, Restricted Stock, Merit Awards and Performance Share Awards in an effort to attract and retain in its employ qualified individuals and to provide such individuals with incentives to devote their best efforts to the Company through ownership of the Company's stock, thus enhancing the value of the Company for the benefit of shareholders. The Plan also provides an incentive for qualified persons, who are not officers or employees of the Company, to serve on the Board of Directors of the Company and to continue to work for the best interests of the Company by rewarding such persons with automatic grants of Restricted Stock of the Company. Stock Options, Stock Appreciation Rights, Merit Awards and Performance Shares may not be granted to such Outside Directors under the Plan.

SECTION 2. DEFINITIONS

(A) "Agreement" shall mean a written agreement setting forth the terms of an Award.

(B) "Ashland" shall mean, collectively, Ashland Oil, Inc. and its Subsidiaries.

(C) "Award" shall mean an Option, a Stock Appreciation Right, a Restricted Stock Award, a Merit Award, or a Performance Share Award, in each case granted under this Plan.

(D) "Beneficiary" shall mean the person, persons, trust or trusts designated by an Employee or Outside Director or if no designation has been made, the person, persons, trust, or trusts entitled by will or the laws of descent and distribution to receive the benefits specified under this Plan in the event of an Employee's or Outside Director's death.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Change in Control" shall be deemed to occur (1) upon the approval by the Board (or if approval of the Board is not required as a matter of law, the shareholders of Ashland) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of Common Stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, (2) when any "person" (as defined in Section 13(d) of the Exchange Act), other than Ashland or any subsidiary or employee benefit plan or trust maintained by Ashland, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, or more than 20% of Ashland's Common Stock outstanding at the time, without the prior approval of the Board, or (3) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

(G) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(H) "Committee" shall mean the Personnel and Compensation Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions, which shall consist of three or more members, each of whom shall be Disinterested.

(I) "Common Stock" shall mean the Common Stock of the Company (\$1.00 par value), subject to adjustment pursuant to Section 13.

(J) "Company" shall mean, collectively, Ashland Oil, Inc. and its Subsidiaries.

(K) "Disinterested" shall mean disinterested within the meaning of applicable regulatory requirements, including those promulgated under Section 16 of the Exchange Act.

(L) "Employee" shall mean an officer or employee of the Company.

(M) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(N) "Exercise Price" shall mean, with respect to each share of Common Stock subject to (i) an Option (other than a Reload Option), the price fixed by the Committee at which such share may be purchased from the Company pursuant to the exercise of such Option, which price at no time may be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted or (ii) a Reload Option, the price of which is as fixed pursuant to Section 6 of the Plan.

(O) "Fair Market Value" shall mean the closing price of the Common Stock as reported on the Composite Tape, or, if there is no trading of the Common Stock on the date in question, then the closing price of the Common Stock, as so reported, on the next preceding date on which there was trading in the Common Stock.

(P) "Incentive Stock Option" or "ISO" shall mean an Option that is intended by the Committee to meet the requirements of Section 422 of the Code or any successor provision.

(Q) "Long-Term Incentive Plan" shall mean the Ashland Oil, Inc. Long-Term Incentive Plan approved and adopted on January 26, 1989 by the shareholders of the Company.

(R) "Merit Award" shall mean an award of Common Stock issued pursuant to Section 9 of the Plan.

(S) "Nonqualified Stock Option" or "NQSO" shall mean an Option granted pursuant to this Plan which does not qualify as an Incentive Stock Option.

(T) "Option" shall mean the right to purchase Common Stock at a price to be specified and upon terms to be designated by the Committee or otherwise determined pursuant to this Plan. An Option shall be designated by the Committee as a Nonqualified Stock Option or an Incentive Stock Option.

(U) "Original Option" shall mean an option as defined in Subsection (D) of Section 6 of the Plan.

(V) "Outside Director" shall mean a director of the Company who is not also an Employee of the Company.

(W) "Performance Period" shall mean the period designated by the Committee during which the performance objectives shall be measured.

(X) "Performance Share Award" shall mean an award of shares of Common Stock, the issuance of which is contingent upon attainment of performance objectives specified by the Committee.

(Y) "Performance Shares" shall mean those shares of Common Stock issuable pursuant to a Performance Share Award.

(Z) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of an Employee or Outside Director, shall have acquired on behalf of the Employee or Outside Director by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

(AA) "Plan" shall mean this Ashland Oil, Inc. 1993 Stock Incentive Plan.

(BB) "Reload Option" shall mean an option granted pursuant to Subsection (D) of Section 6 of the Plan.

(CC) "Restricted Period" shall mean the period designated by the Committee during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered, which period in the case of Employees shall not be less than one year from the date of grant, and in the case of Outside Directors is the period set forth in subsection (B) of Section 8.

(DD) "Restricted Stock" shall mean those shares of Common Stock issued pursuant to a Restricted Stock Award which are subject to the restrictions, terms, and conditions set forth in the related Agreement.

(EE) "Restricted Stock Award" shall mean an award of Restricted Stock.

(FF) "Retained Distributions" shall mean any securities or other property (other than regular cash dividends) distributed by the Company in respect of Restricted Stock during any Restricted Period.

(GG) "Retirement" shall mean retirement of an Employee from the employ of the Company at any time as described in the Ashland Oil, Inc. and Affiliates Pension Plan or in any successor pension plan, as from time to time in effect.

(HH) "Section 16(b) Optionee" shall mean an Employee or former Employee who is subject to Section 16(b) of the Exchange Act.

(II) "Stock Appreciation Right" or "SAR" shall mean the right of the holder to elect to surrender an Option or any portion thereof which is then exercisable and receive in exchange therefor shares of Common Stock, cash, or a combination thereof, as the case may be, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock over the Exercise Price specified in such Option multiplied by the number of shares of Common Stock covered by such Option or portion thereof which is so surrendered. An SAR may only be granted concurrently with the grant of the related Option. An SAR shall be exercisable upon any additional terms and conditions (including, without limitation, the issuance of Restricted Stock and the imposition of restrictions upon the timing of exercise) which may be determined as provided in the Plan.

(JJ) "Subsidiary" shall mean any present or future subsidiary corporations, as defined in Section 424 of the Code, of Ashland.

(KK) "Tax Date" shall mean the date the withholding tax obligation arises with respect to the exercise of an Award.

SECTION 3. STOCK SUBJECT TO THE PLAN

There will be reserved for issuance under the Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock, Performance Shares and Merit Awards and for stock bonuses on deferred awards of Restricted Stock and Performance Shares), an aggregate of 2,900,000 shares of Ashland Common Stock, par value \$1.00 per share provided; however, that of such shares, only 1,500,000 shares in the aggregate shall be available for issuance for Restricted Stock Awards and Merit Awards. Such shares shall be authorized but unissued shares of Common Stock. Except as provided in Sections 7 and 8, if any Award under the Plan shall expire or terminate for any reason without having been exercised in full, or if any Award shall be forfeited, the shares subject to the unexercised or forfeited portion of such Award shall again be available for the purposes of the Plan.

SECTION 4. ADMINISTRATION

The Plan shall be administered by the Committee. No person who is (or, within one year prior to his or her appointment as a member of the Committee, was) eligible to participate in the Plan, except as specifically authorized under subsection (B) of Section 8 herein, or in any other stock option or stock bonus plan of the Company, shall be a member of the Committee. The Committee shall have no authority

regarding the granting of Restricted Stock to Outside Directors, as such grants are fixed pursuant to subsection (B) of Section 8 of the Plan.

In addition to any implied powers and duties that may be needed to carry out the provisions of the Plan, the Committee shall have all the powers vested in it by the terms of the Plan, including exclusive authority (except as to Awards of Restricted Stock granted to Outside Directors) to select the Employees to be granted Awards under the Plan, to determine the type, size and terms of the Awards to be made to each Employee selected, to determine the time when Awards will be granted, and to prescribe the form of the Agreements embodying Awards made under the Plan. Subject to the provisions of the Plan specifically governing Awards of Restricted Stock granted or to be granted to Outside Directors pursuant to subsection (B) of Section 8 herein, the Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make any other determinations which it believes necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive.

The Committee may act only by a majority of its members. Any determination of the Committee may be made, without notice, by the written consent of the majority of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for any action taken or omitted to be taken by him or her or by any other member of the Committee in connection with the Plan, except for his or her own willful misconduct or as expressly provided by statute.

The provisions of this Section 4 with respect to decisions made by, and authority of, the Committee shall be subject to the provisions of subsection (B) of Section 8 herein.

SECTION 5. ELIGIBILITY

Awards may only be granted (i) to individuals who are Employees of Ashland, and (ii) as expressly provided in subsection (B) of Section 8 of the Plan, to individuals who are duly elected Outside Directors of Ashland.

SECTION 6. STOCK OPTIONS

A. Designation and Price.

(a) Any Option granted under the Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committee at the time of the grant of such Option. Each Option shall be evidenced by an Agreement between the recipient and the Company, which Agreement shall specify the designation of the Option as an ISO or a NQSO, as the case may be, and shall contain such terms and conditions as the Committee, in its sole discretion, may determine in accordance with the Plan.

(b) Every Incentive Stock Option shall provide for a fixed expiration date of not later than ten years from the date such Incentive Stock Option is granted. Every Nonqualified Stock Option shall provide for a fixed expiration date of ten years and one month from the date such Nonqualified Stock Option is granted, such period to be applicable to each Nonqualified Stock Option granted under this Plan.

(c) The Exercise Price of Common Stock issued pursuant to each Option (other than a Reload Option) shall be fixed by the Committee at the time of the granting of the Option; provided, however, that such Exercise Price shall in no event be less than 100% of the Fair Market Value of the Common Stock on the date such Option is granted.

B. Exercise.

The Committee may, in its discretion, provide for Options granted under the Plan to be exercisable in

whole or in part; provided, however, that no Option (other than a Reload Option) shall be exercisable prior to the first anniversary of the date of its grant, except as provided in Section 11(e) or as the Committee otherwise determines, and in no case may an Option be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. The specified number of shares will be issued upon receipt by Ashland of (i) notice from the optionee of exercise of an Option, and (ii) either payment to Ashland (as provided in this Section 6, subsection (C) below), of the Exercise Price for the number of shares with respect to which the Option is exercised, or with approval of the Committee, a secured promissory note as hereinafter provided. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Treasurer of Ashland at Ashland Oil, Inc., 1000 Ashland Drive, Russell, Kentucky, 41169, or such other place as Ashland may designate from time to time. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an ISO and for those shares acquired pursuant to a NQSO.

C. Payment for Shares.

Except as otherwise provided in this Section 6, the Exercise Price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committee may impose, the Exercise Price may be paid in whole or in part in (i) cash, (ii) whole shares of Common Stock owned by the Employee six months or longer and evidenced by negotiable certificates, valued at their Fair Market Value on the date of exercise, (iii) by a combination of such methods of payment, or (iv) such other consideration as shall constitute lawful consideration for the issuance of Common Stock and be approved by the Committee (including without limitation, assurance satisfactory to the Committee from a broker registered under the Exchange Act, of the delivery of the proceeds of an imminent sale of the stock to be issued pursuant to the exercise of such Option, such sale to be made at the direction of the Employee). If certificates representing shares of Common Stock are used to pay all or part of the Exercise Price of an Option, separate certificates shall be delivered by Ashland representing the same number of shares as each certificate so used and an additional certificate shall be delivered representing any additional shares to which the Employee is entitled as a result of exercise of the Option. Moreover, if so provided in the Agreement, and subject to such restrictions, terms and conditions as the Committee may impose, an Employee may request Ashland to "pyramid" his or her shares; that is, to automatically apply the shares which he or she is entitled to receive on the exercise of a portion of an Option to satisfy the exercise for additional portions of the Option, thus resulting in multiple simultaneous exercises of an Option by use of whole shares as payment. The Committee may, in its discretion, authorize payment of all or any part of the Exercise Price over a period of not more than five years from the date the Option is exercised. In such instance any unpaid balance of the Exercise Price shall be evidenced by the Employee's promissory note payable to the order of Ashland which shall be secured by such collateral and shall bear interest at such rate or rates as determined from time to time by the Committee.

D. Reload Options.

The Committee shall have the authority to specify at the time of grant that an Employee shall be granted another Stock Option (a "Reload Option") in the event such Employee exercises all or a part of a Stock Option (an "Original Option") by surrendering in accordance with Section 6, subsection (C) already owned shares of Common Stock in full or partial payment of the Exercise Price under such Original Option, subject to the availability of shares of Common Stock under the Plan at the time of exercise. Each Reload Option shall cover a number of shares of Common Stock equal to the number of shares of Common Stock surrendered in payment of the Exercise Price, shall have an Exercise Price per share of Common Stock equal to the Fair Market Value of the Common Stock on the date of grant of such Reload Option and shall expire on the stated expiration date of the Original Option. A Reload Option shall be exercisable at any time and from time to time from and after the date of grant of such Reload Option (or, as the Committee in its sole discretion shall determine at the time of grant, at such time or times as shall be specified in the Reload Option); provided, however, that a Reload Option granted to a Section 16(b) Optionee shall not be exercisable during the first six months from the date of grant of such Reload Option. The first such Reload Option may

provide for the grant, when exercised, of one subsequent
Reload Option

to the extent and upon such terms and conditions, consistent with this Section 6, subsection (D), as the Committee in its sole discretion shall specify at or after the time of grant of such Reload Option. A Reload Option shall contain such other terms and conditions which may include a restriction on the transferability of the number of shares of Common Stock received upon exercise of the Original Option reduced by a number of shares equal in value to the tax liability incurred upon exercise as the Committee in its sole discretion may deem desirable which may be set forth in the Agreement evidencing the Reload Option.

SECTION 7. STOCK APPRECIATION RIGHTS

The Committee may grant Stock Appreciation Rights pursuant to the provisions of this Section 7 to any holder of any Option (including any Reload Option) granted under the Plan with respect to all or a portion of the shares subject to the related Option. An SAR may only be granted concurrently with the grant of the related Option. Subject to the terms and provisions of this Section 7, each SAR shall be exercisable only at the same time and to the same extent the related Option is exercisable and in no event after the termination of the related Option. An SAR shall be exercisable only when the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which the SAR is to be exercised shall exceed the Exercise Price per share of Common Stock subject to the related Option. An SAR granted under the Plan shall be exercisable in whole or in part by notice to Ashland. Such notice shall state that the holder of the SAR elects to exercise the SAR and the number of shares in respect of which the SAR is being exercised. For purposes of this Section 7, the date of exercise of an SAR shall mean the date on which the Company receives such notice.

Subject to the terms and provisions of this Section 7, upon the exercise of an SAR, the holder thereof shall be entitled to receive from Ashland consideration (in the form hereinafter provided) equal in value to the excess of the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which such SAR has been exercised over the Exercise Price per share of Common Stock subject to the related Option. The Committee may stipulate in the Agreement the form of consideration which shall be received upon the exercise of an SAR. If no consideration is specified therein, upon the exercise of an SAR, the holder may specify the form of consideration to be received by such holder, which shall be in shares of Common Stock (valued at Fair Market Value on the date of exercise of the SAR), or in cash, or partly in cash and partly in shares of Common Stock, as the holder shall request; provided, however, that the Committee, in its sole discretion, may disapprove the form of consideration requested and instead authorize the payment of such consideration in shares of Common Stock (valued as aforesaid), or in cash, or partly in cash and partly in shares of Common Stock.

Upon the exercise of an SAR, the related Option shall be deemed exercised to the extent of the number of shares of Common Stock with respect to which such SAR is exercised and to that extent a corresponding number of shares of Common Stock shall not again be available for the grant of Awards under the Plan. Upon the exercise or termination of the related Option, the SAR with respect thereto shall be considered to have been exercised or terminated to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated.

SECTION 8. RESTRICTED STOCK AWARDS

A. Awards to Employees

The Committee may make an award of Restricted Stock to selected Employees, evidenced by an Agreement which shall contain such terms and conditions as the Committee, in its sole discretion, may determine. The amount of each Restricted Stock Award and the respective terms and conditions of each Award (which terms and conditions need not be the same in each case) shall be determined by the Committee in its sole discretion. As a condition to any Award hereunder, the Committee may require an Employee to pay to the Company an amount equal to, or in excess of, the par value of the shares of Restricted Stock awarded to him or her. Any such Restricted Stock Award shall automatically expire if not purchased in accordance with the Committee's requirements within thirty (30) days after the date of grant. Subject to the terms and conditions of each Restricted Stock Award, the Employee, as the owner of the

Common Stock issued as Restricted Stock, shall have all rights of a shareholder including, but not limited to, voting rights as to such Common Stock and the right to receive dividends thereon when, as and if paid.

In the event that a Restricted Stock Award has been made to an Employee whose employment or service is subsequently terminated for any reason prior to the lapse of all restrictions thereon, such Restricted Stock will be forfeited in its entirety by such Employee; provided, however, that the Committee may, in its sole discretion, limit such forfeiture. Any Restricted Stock so forfeited by an Employee shall not again be available for the grant of Awards under the Plan.

Employees may be offered the opportunity to defer the receipt of payment of vested shares of Restricted Stock, and Common Stock may be granted as a bonus for deferral, under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Restricted Stock so deferred.

B. Awards to Outside Directors

During the term of the Plan, (i) each Outside Director who was granted an award of restricted stock under the Long-Term Incentive Plan on January 26, 1989 and who continues to serve as an Outside Director on January 31, 1994 shall be granted an Award of 1,000 shares of Restricted Stock on January 31, 1994; (ii) each Outside Director who was granted an award of restricted stock under such Long-Term Incentive Plan other than those Outside Directors in (i) above shall be granted an Award of 1,000 shares of Restricted Stock upon the fifth anniversary of his or her prior award under the Long-Term Incentive Plan; and (iii) each person who is hereafter duly appointed or elected as an Outside Director and who does not receive an award under the Long-Term Incentive Plan shall be granted, effective on the date of his or her appointment or election to the Board, an Award of 1,000 shares of Restricted Stock. All Awards under this subsection (B) are subject to the limitation on the number of shares of Common Stock available pursuant to Section 3 and to the terms and conditions set forth in this subsection (B) and subsection (C) below.

As a condition to any Award hereunder, the Outside Director will be required to pay to the Company a nonrefundable amount equal to the par value of the shares of Restricted Stock awarded to him or her. Upon the granting of the Restricted Stock Award, such Outside Director shall be entitled to all rights incident to ownership of Common Stock of the Company with respect to his or her Restricted Stock, including, but not limited to, the right to vote such shares of Restricted Stock and to receive dividends thereon when, as and if paid; provided, however, that in no case may any shares of Restricted Stock granted to an Outside Director be sold, assigned, transferred, pledged, or otherwise encumbered during the Restricted Period which shall not lapse until the earlier to occur of the following: (i) normal retirement from the Board at age 70, (ii) the death or disability of such Outside Director, (iii) a 50% change in the beneficial ownership of the Company as defined in Rule 13d-3 under the Exchange Act, or (iv) voluntary early retirement to take a position in governmental service. In the case of voluntary resignation or other termination of service of an Outside Director prior to the occurrence of any of the events described in (i), (ii), (iii) or (iv) of the preceding sentence, any grant of Restricted Stock made to him or her pursuant to this subsection (B) will be forfeited by such Outside Director. Any Restricted Stock so forfeited by an Outside Director shall not again be available for the grant of Awards under the Plan.

C. Transferability

Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered during a Restricted Period, which, in the case of Employees, shall be determined by the Committee and which shall not be less than one year from the date such Restricted Stock was awarded, and, in the case of Outside Directors, shall be determined in accordance with subsection (B) of this Section 8. The Committee may at any time, reduce the Restricted Period with respect to any outstanding shares of Restricted Stock awarded under the Plan to Employees, but in no event shall such Restricted Period be less than one year.

During the Restricted Period, certificates representing the Restricted Stock and any Retained Distributions shall be registered in the recipient's name

and bear a restrictive legend to the effect that ownership of such Restricted Stock (and any such Retained Distributions), and the enjoyment of all rights

appurtenant thereto are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Agreement. Such certificates shall be deposited by the recipient with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions which shall be forfeited in accordance with the Plan and the applicable Agreement. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The recipient will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends, and to exercise all other rights, powers, and privileges of a holder of Common Stock with respect to such Restricted Stock, with the exception that (i) the recipient will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the restrictions applicable thereto shall have expired; (ii) the Company will retain custody of all Retained Distributions made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in separate accounts; (iii) the recipient may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Stock or any Retained Distributions during the Restricted Period; and (iv) a breach of any restrictions, terms, or conditions provided in the Plan or established by the Committee with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

SECTION 9. MERIT AWARDS

The Committee may from time to time make an award of Common Stock under the Plan to selected Employees for such reasons and in such amounts as the Committee, in its sole discretion, may determine. As a condition to any such Merit Award, the Committee may require an Employee to pay to the Company an amount equal to, or in excess of, the par value of the shares of Common Stock awarded to him or her.

SECTION 10. PERFORMANCE SHARES

The Committee may make awards of Common Stock, evidenced by an Agreement, to selected Employees on the basis of the Company's financial performance in any given period. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees who shall receive such Performance Shares, to determine the number of such shares to be granted for each Performance Period, and to determine the duration of each such Performance Period. There may be more than one Performance Period in existence at any one time, and the duration of Performance Periods may differ from each other.

The Committee shall establish performance measures for each Performance Period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time, in its sole discretion, determine. Such measures may include, but shall not be limited to, return on investment, earnings per share, return on shareholders' equity, or return to shareholders. The performance measures determined by the Committee shall be established in writing prior to the beginning of each performance period. The Committee shall have the discretion to later revise the performance measures only so as to reduce or eliminate the amount of compensation otherwise payable upon attainment of the performance measures. In no event shall the Committee be able to later revise the performance measures to increase the amount of compensation otherwise payable. Performance Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered, except as herein provided and as provided in Section 11(e), during the Performance Period.

The Committee shall determine, in its sole discretion, the manner of payment, which may include (i) cash, (ii) shares of Common Stock, or (iii) shares of Restricted Stock in such proportions as the Committee shall determine. Employees may be offered the opportunity to defer the receipt of payment of earned Performance Shares, and Common Stock may be granted as a bonus for deferral under terms as may be

established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Performance Shares so deferred.

An Employee must be employed by the Company at the end of a Performance Period in order to be entitled to payment of Performance Shares in respect of such period; provided, however, that in the event of an Employee's cessation of employment before the end of such period, or upon the occurrence of his or her death, retirement, or disability, or other reason approved by the Committee, the Committee may, in its sole discretion, limit such forfeiture.

SECTION 11. CONTINUED EMPLOYMENT AND AGREEMENT TO SERVE

(a) Subject to the provisions of paragraph (e) of this Section 11, if the employment of the Employee shall terminate prior to the time any portion of an Option or Reload Option first becomes exercisable, the Option granted to such Employee shall immediately terminate.

(b) Every Option shall provide that in the event the Employee dies while employed by Ashland, during the one-year period of disability described in paragraph (c) of this Section 11 or within three months after cessation of employment for any cause, such Option shall be exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option, by the Beneficiaries of the decedent for the number of shares which the Employee could have acquired under the Option immediately prior to the Employee's death.

(c) Every Option shall provide that in the event the employment of any Employee shall cease by reason of total and permanent disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee at any time during the term of the Option, such Option shall be exercisable, at any time or from time to time by such Employee, during a period of one year of continuing disability following termination of employment by reason of such disability for the number of shares which the Employee could have acquired under the Option immediately prior to the Employee's total and permanent disability. The one-year period following such termination of employment during which Options may be exercisable may be extended at the discretion of the Committee; provided, however, that no Option may be exercisable after the fixed termination date set forth in the Option. The determination by the Committee of any question involving disability shall be conclusive and binding.

(d) Except as provided in paragraphs (a), (b), (c) and (e) of this Section 11, every Option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the Option or three months after cessation of the Employee's employment for any cause except Retirement, in which event the Option shall be exercisable for a period of three years after such Retirement date, which three-year period may be extended at the discretion of the Committee. If an Option is exercised after cessation of employment or Retirement, it may be exercised only in respect of the number of shares which the Employee could have acquired under the Option immediately prior to such cessation of employment or Retirement; provided, however, that no Option may be exercised after the fixed termination date set forth in the Option.

(e) Notwithstanding any provision of this Section 11 to the contrary, any Award granted pursuant to the Plan, except a Restricted Stock Award to Outside Directors, which is governed by Section 8, subsection (B), may, in the discretion of the Committee or as provided in the relevant Agreement, become exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Award for the full number of awarded shares or any part thereof, less such numbers as may have been theretofore acquired under the Award (i) from and after the time the Employee ceases to be an Employee of Ashland as a result of the sale or other disposition by Ashland of assets or property (including shares of any subsidiary) in respect of which such Employee had theretofore been employed or as a result of which such Employee's continued employment with Ashland is no longer required, and (ii) in the case of a Change in Control of Ashland, from and after the date of such Change in Control.

(f) Each Employee granted an Award under this Plan shall agree by his or her acceptance of such

Award to remain in the service of Ashland for a period of at least one year from the date of the Agreement respecting the Award between Ashland and the Employee. Such service shall, subject to the terms of any contract between Ashland and such Employee, be at the pleasure of Ashland and at such compensation as Ashland shall reasonably determine from time to time. Nothing in the Plan, or in any Award granted pursuant to the Plan, shall confer on any individual any right to continue in the employment of or service to Ashland or interfere in any way with the right of Ashland to terminate the Employee's employment at any time.

(g) Subject to the limitations set forth in Section 422 of the Code, the Committee may adopt, amend, or rescind from time to time such provisions as it deems appropriate with respect to the effect of leaves of absence approved by any duly authorized officer of Ashland with respect to any Employee.

SECTION 12. WITHHOLDING TAXES

Federal, state or local law may require the withholding of taxes applicable to gains resulting from the exercise of an Award. Unless otherwise prohibited by the Committee, each Employee may satisfy any such tax withholding obligation by any of the following means, or by a combination of such means: (i) a cash payment, (ii) authorizing Ashland to withhold from the shares of Common Stock otherwise issuable to the Employee pursuant to the exercise or vesting of an Award a number of shares having a Fair Market Value, as of the Tax Date, which will satisfy the amount of the withholding tax obligation, or (iii) by delivery to Ashland of a number of shares of Common Stock having a Fair Market Value as of the Tax Date which will satisfy the amount of the withholding tax obligation arising from an exercise or vesting of an Award. An Employee's election to pay the withholding tax obligation by (ii) or (iii) above must be made on or before the Tax Date, is irrevocable, is subject to such rules as the Committee may adopt, and may be disapproved by the Committee. If the amount requested is not paid, the Committee may refuse to issue Common Stock under the Plan.

SECTION 13. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of any change in the outstanding Common Stock of the Company by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange of shares, split-up, split-off, spin-off, liquidation or other similar change in capitalization, or any distribution to common stockholders other than cash dividends, the number or kind of shares that may be issued under the Plan pursuant to Section 3 and the number or kind of shares subject to, or the price per share under any outstanding Award shall be automatically adjusted so that the proportionate interest of the Employee or Outside Director shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes of the Plan.

Section 14. Amendments And Terminations

Unless the Plan shall have been terminated as hereinafter provided, the Plan shall terminate on, and no Award (other than Reload Options automatically granted pursuant to Section 6) shall be granted after January 26, 1998. The plan may be terminated, modified or amended by the shareholders of the Company. The Board may at any time terminate, modify or amend the Plan in such respects as it shall deem advisable; provided, however, that the Board may not, without approval by the holders of a majority of the outstanding shares of stock present and voting at any annual or special meeting of shareholders of Ashland: (i) increase (except as provided in Section 13) the maximum number of shares which may be issued pursuant to the Awards granted under the Plan, (ii) change the class of persons eligible to receive Awards, (iii) change the manner of determining the minimum Exercise Price of Options other than to change the manner of determining the Fair Market Value of the Common Stock as set forth in Section 2, (iv) extend the period during which Awards may be granted or exercised, or (v) amend any provision of the Plan insofar as it applies specifically to Restricted Stock Awards granted or to be granted to Outside Directors.

SECTION 15. MISCELLANEOUS PROVISIONS

(a) Except as to Awards to Outside Directors, no Employee or other person shall have any claim or right to be granted an Award under the Plan.

(b) An Employee's or Outside Director's rights and interest under the Plan may not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except in the event of an Employee's or Outside Director's death, by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any Employee or Outside Director in the Plan shall be subject to any obligation of liability of such individual. An Award shall be exercisable, during an Employee's lifetime, only by him or her or his or her Personal Representative. Except as specified in Section 8, the holder of an Award shall have none of the rights of a shareholder until the shares subject thereto shall have been registered in the name of the person receiving or person or persons exercising the Award on the transfer books of the Company.

(c) No Common Stock shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable Federal, state, and other securities laws.

(d) The expenses of the Plan shall be borne by the Company.

(e) By accepting any Award under the Plan, each Employee and Outside Director and each Personal Representative or Beneficiary claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

(f) Awards granted under the Plan shall be binding upon Ashland, its successors, and assigns.

(g) The appropriate officers of the Company shall cause to be filed any reports, returns, or other information regarding Awards hereunder or any Common Stock issued pursuant hereto as may be required by Section 13 or 15(d) of the Exchange Act, or any other applicable statute, rule, or regulation.

(h) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required.

(i) Each Employee shall be deemed to have been granted any Award on the date the Committee took action to grant such Award under the Plan or such later date as the Committee in its sole discretion shall determine at the time such grant is authorized; provided, however, that a Reload Option shall be deemed to have been granted on the date on which the Original Option is exercised or such later date as the Committee in its sole discretion shall determine prior to the date on which such exercise occurs and a subsequent Reload Option shall be deemed to have been granted on the date on which the underlying Reload Option is exercised or such later date as the Committee in its sole discretion shall determine prior to the date on which such exercise occurs.

SECTION 16. EFFECTIVENESS OF THE PLAN

The Plan shall be submitted to the shareholders of the Company for their approval and adoption on January 28, 1993 or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. The Plan shall not be effective and no Award shall be made hereunder unless and until the Plan has been so approved and adopted at a meeting of the Company's shareholders.

SECTION 17. GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the Commonwealth of Kentucky.

As amended and restated by the Board on November 3, 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ASHLAND OIL, INC. AND SUBSIDIARIES

	YEARS ENDED SEPTEMBER 30		
	1994	1993	1992
	(IN MILLIONS)		
SALES AND OPERATING REVENUES			
Petroleum.....	\$ 4,666	\$ 4,752	\$ 4,848
SuperAmerica.....	1,706	1,785	1,888
Valvoline.....	1,000	938	900
Chemical.....	2,885	2,586	2,488
Construction.....	1,101	1,116	1,043
Exploration.....	199	247	262
Intersegment sales.....	(1,223)	(1,225)	(1,218)
	\$10,334	\$10,199	\$10,211
OPERATING INCOME (LOSS)			
Petroleum.....	\$ 113	\$ 56	\$ (125)
SuperAmerica.....	59	65	1
Valvoline.....	52	56	50
Total Refining and Marketing Group.....	224	177	(74)
Chemical.....	125	108	81
Construction.....	70	53	45
Exploration.....	28	36	17
General corporate expenses.....	(80)	(77)	(132)
	\$ 367	\$ 297	\$ (63)
EQUITY INCOME			
Arch Mineral Corporation.....	\$ 7	\$ (10)	\$ 10
Ashland Coal, Inc.....	6	27	13
Other.....	9	9	10
	\$ 22	\$ 26	\$ 33
OPERATING INFORMATION			
Petroleum			
Product sales (thousand barrels per day) (1).....	357.7	350.3	347.4
Refining inputs (thousand barrels per day) (2).....	338.4	335.9	337.4
Value of products manufactured per barrel.....	\$ 21.49	\$ 23.00	\$ 23.81
Input cost per barrel.....	16.76	19.06	20.48
Refining margin per barrel.....	\$ 4.73	\$ 3.94	\$ 3.33
SuperAmerica			
Product sales (thousand barrels per day).....	70.2	73.8	77.1
Merchandise sales (millions).....	\$ 519	\$ 549	\$ 587
Valvoline product sales (thousand barrels per day) (1).....	17.9	16.3	16.6
Construction backlog at September 30 (millions).....	\$ 554	\$ 495(3)	\$ 500(3)
Exploration			
Net daily production			
Natural gas (million cubic feet) (1).....	94.3	99.3	78.3
Nigerian crude oil (thousand barrels).....	18.7	21.7	25.9
Sales price			
Natural gas (per thousand cubic feet).....	\$ 2.42	\$ 2.45	\$ 2.28
Nigerian crude oil (per barrel).....	\$ 15.01	\$ 17.77	\$ 19.21
Arch Mineral Corporation (4)			
Tons sold (millions).....	24.3	19.2	21.0
Sales price per ton.....	\$ 26.35	\$ 25.26	\$ 25.73
Ashland Coal, Inc. (4)			
Tons sold (millions).....	18.2	18.0	17.2
Sales price per ton.....	\$ 29.85	\$ 29.77	\$ 29.80

(1) Includes intersegment sales.

(2) Includes crude oil and other purchased feedstocks.

(3) Amounts have been restated to exclude APAC's Arizona operations which were sold in 1994.

(4) Amounts are reported on a 100% basis for these affiliated companies accounted for on the equity method.

RESULTS OF OPERATIONS

Ashland's net income amounted to \$197 million in 1994, compared to \$142 million in 1993 and a net loss of \$336 million in 1992. However, comparisons of these results are affected by various unusual items. The following table shows the effect of unusual items on operating and net income for the three years ended September 30, 1994.

	OPERATING INCOME (LOSS)			NET INCOME (LOSS)		
	1994	1993	1992	1994	1993	1992
	(IN MILLIONS)					
Income before unusual items.....	\$356	\$282	\$145	\$190	\$115	\$ 64
Special charges						
Voluntary enhanced retirement program...	--	--	(31)	--	--	(20)
Asset write-downs.....	--	--	(64)	--	--	(41)
Riley-related reserves.....	--	--	(38)	--	--	(23)
Environmental provisions.....	--	--	(41)	--	--	(25)
Accounting changes.....	--	--	(34)	--	--	(291)
Other						
Litigation matters.....	11	--	--	7	--	--
Ashland Coal unusual items.....	--	--	--	--	18	--
Gain on sale of Petroleum operation.....	--	15	--	--	9	--
Income (loss) as reported.....	\$367	\$297	\$(63)	\$197	\$142	\$(336)

Excluding unusual items, net income amounted to \$190 million in 1994, compared to \$115 million in 1993. Operating income from Petroleum was up significantly, while record results were achieved by Chemical and Construction. In addition, equity income from Ashland's coal investments showed substantial improvement since the prolonged strike by the United Mine Workers (UMW) was settled in December 1993. The increase in net income from \$64 million in 1992 to \$115 million in 1993 reflected improvements in most of Ashland's businesses, other than its coal investments which were adversely affected by the UMW strike. While Ashland Petroleum was responsible for the majority of the increase in earnings, SuperAmerica, Valvoline and Chemical each contributed record results.

As a result of difficult conditions in the U.S. economy and the petroleum refining industry, Ashland implemented a voluntary enhanced retirement program in July 1992 to reduce employment levels and lower costs, thereby enhancing its competitive position. In addition, because of lower earnings and the large capital spending requirements for its refineries, Ashland announced a \$200 million asset divestiture program during that same year. Various businesses and properties were identified for possible sale, resulting in loss provisions of nearly \$24 million, which are included in asset write-downs in the above table. The remaining asset write-downs were related to discontinued operations and a re-evaluation of an enhanced oil recovery project. Reserves were also increased in 1992 for future costs associated with certain custom boilers built by Riley Stoker and other Riley-related matters. Because of higher contract costs and certain settlements during that year, the reserves recognized in prior years were no longer adequate to cover the indemnities provided to the purchaser when Riley was sold in 1990. The environmental provisions reflect adjustments to estimated future environmental costs, primarily in the areas of remediation and replacement of underground storage tanks at older retail marketing locations.

The accounting changes reflected the effect of Ashland's adoption of Financial Accounting Standards Board (FASB) Statements No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and No. 109, "Accounting for Income Taxes," both effective as of October 1, 1991 (see Note A to the Consolidated Financial Statements). During 1993, Ashland amended its retiree benefit programs and its costs returned to amounts more closely approximating pre-1992 pay-as-you-go levels.

The following table compares operating income before unusual items by segment for the three-year period.

	1994	1993	1992
	(IN MILLIONS)		
Operating income (loss)			
Petroleum.....	\$ 113	\$ 41	\$ (36)
SuperAmerica.....	59	65	29
Valvoline.....	52	56	52
Chemical.....	125	108	96
Construction.....	70	53	54
Exploration.....	28	36	33
General corporate expenses.....	(91)	(77)	(83)
	\$ 356	\$ 282	\$ 145

PETROLEUM

Operating income of Ashland Petroleum amounted to \$113 million in 1994, compared to \$41 million in 1993 before unusual items. Ashland Petroleum's strong performance was due to higher margins in its Midwest markets, as well as its actions to improve crude oil selection and other profit enhancement efforts. Margins were strong in the first half of 1994, reflecting very favorable distillate prices concurrent with the implementation of low-sulfur diesel requirements in the December quarter and reduced crude oil costs in the March quarter. Most of the last half of 1994 was adversely affected by increasing crude oil costs, with wholesale product prices not keeping pace. The refineries performed well with crude oil throughput up slightly despite major scheduled turnarounds at two of its refineries. Although refining margins were very volatile for most of the year, such margins did increase from \$3.94 a barrel in 1993 to \$4.73 a barrel in 1994. This improvement was partially offset, however, by higher turnaround and depreciation costs. Earnings from Scurlock Permian improved considerably, as crude oil gathering and handling margins were up compared to their depressed levels in 1993.

Ashland Petroleum's operating income of \$41 million in 1993 excluded a gain of \$15 million on the sale of its TPT inland waterways barge operation. Such results rebounded from an operating loss of \$36 million in 1992 before unusual items. The improvement reflected an increase in the refining margin from \$3.33 a barrel in 1992 to \$3.94 a barrel in 1993, resulting from higher asphalt prices, stronger regional product markets, and more selective purchases of crude oils to yield a more profitable product mix. In other operations, results from branded marketing were up considerably, reflecting higher product margins and reduced environmental expenses, while earnings from Scurlock Permian declined due to unusually competitive market conditions that adversely affected gathering and handling volumes and margins.

SUPERAMERICA

Operating income of \$59 million for SuperAmerica in 1994 was second only to its record earnings of \$65 million achieved in 1993. Gasoline and merchandise margins were at all-time highs and largely offset the volume reductions associated with last year's sale of 80 SuperAmerica stores. Such stores were located in Florida and other non-strategic areas outside markets directly supplied by Ashland Petroleum. At September 30, 1994, 598 SuperAmerica stores were operating, compared to 588 stores in 1993 and 642 stores in 1992. While the number of stores is up at year end in 1994, the average number of stores in operation for the year was actually down 4%, and operations of the newly-opened stores had not yet fully matured.

SuperAmerica achieved record operating income of \$65 million in 1993, compared to \$29 million in 1992 before unusual items. Improvements in margins for both gasoline and merchandise more than offset the reductions in volumes resulting from the sale of 80 stores during 1993.

VALVOLINE

Valvoline also had its second best year ever, with operating income of \$52 million in 1994, compared to last year's record of \$56 million. The major factor in the decline was reduced margins on automotive refrigerants resulting from built-up customer inventories. Earnings from Valvoline's branded motor oil business were relatively unchanged as the effects of volume increases were largely offset by reduced margins associated with a continuing shift from packaged products to lower margin bulk sales, and by significant increases in raw material costs during the last half of 1994. International operations were up considerably, spurred in part by the acquisition of Valvoline distributorships in six European countries during 1994. Valvoline Instant Oil Change (VIOC) achieved higher earnings for the second straight year with continued improvements in average car counts and ticket prices. At September 30, 1994, VIOC operated 347 company outlets, compared to 341 in 1993 and 315 in 1992. In addition, the VIOC franchising program continued to expand with 75 outlets open at year-end in 1994, compared to 66 in 1993 and 45 in 1992.

Valvoline's operating income of \$56 million in 1993 exceeded its previous record earnings of \$52 million in 1992 before unusual items. Improved results from its automotive chemicals businesses and VIOC more than offset lower earnings from branded motor oil sales and international operations. While Valvoline was able to increase its market share slightly in the highly competitive motor oil market, earnings from its branded motor oil business were down 20% due to soft demand and higher marketing expenses. In addition, the results of international operations were adversely affected by currency losses brought on by a strong U.S. dollar. However, the automotive chemical businesses achieved record earnings due to better margins on refrigerant sales and other Pyroil products, while VIOC results improved on the strength of higher average car counts and ticket prices, as well as additional outlets.

CHEMICAL

For the third consecutive year, Ashland Chemical was the leading earnings contributor to Ashland's results with operating income of \$125 million in 1994. Such income surpassed Ashland Chemical's previous record earnings of \$108 million in 1993, despite incurring higher charges for environmental remediation costs in 1994. Earnings from the distribution businesses were up 22%, principally due to higher sales volumes for thermoplastics. Operating income from the specialty chemicals group increased 25%, with foundry products and water treatment chemicals leading an across the board improvement. Results from petrochemicals were up 15%, with improvements in

methanol margins more than offsetting the effects of production and weather-related problems on cumene results early in 1994.

Operating income of \$108 million in 1993 was a record for Ashland Chemical, exceeding its 1992 earnings of \$96 million before unusual items. Earnings from the distribution businesses returned to more normal levels, reflecting integration of the 1992 acquisition of Unocal's chemical distribution business, higher sales volumes and margins for thermoplastics, and increased efficiencies from its redesigned distribution services organization. Although results from most of the specialty chemical businesses improved, the favorable effects were largely offset by lower earnings from water treatment chemicals. Operating income from petrochemicals declined 20%, as higher natural gas feedstocks

reduced methanol margins and cumene operations suffered from tighter margins, a temporary shutdown by a major customer and lower sales volumes.

CONSTRUCTION

The APAC construction operations achieved record earnings of \$70 million in 1994, compared to \$53 million in 1993. Each of its continuing operating regions achieved improvements on the strength of a higher quality backlog, better margins on construction materials and more favorable weather conditions. In addition, APAC's construction operations in Arizona contributed operating income (including a gain on the sale of those operations) of \$9 million, which was up from \$6 million in 1993. APAC's backlog of \$554 million at September 30, 1994, is expected to contain slightly higher margins than last year's backlog of \$495 million for its continuing operations.

Operating income from APAC totaled \$53 million in 1993, compared to \$54 million in 1992 before unusual items. Revenues were up 7%, but the favorable impact was more than offset by poor weather conditions in most of APAC's operating regions in the December 1992 quarter and severe flooding in its Arizona region in the March 1993 quarter.

EXPLORATION

Ashland Exploration's operating income declined from \$36 million in 1993 to \$28 million in 1994. However, its contribution to Ashland's net income after recognition of tax credits was down only slightly. Operating income from domestic operations was down \$19 million, resulting from lower production and prices for both natural gas and crude oil, increased exploration expenses, and the favorable effect of a contract settlement that was included in results for 1993. Operating income from foreign operations improved by \$11 million, reflecting lower exploration expenses and improved results from crude oil trading activities. Such factors more than offset the effects of normal declines in Nigerian crude oil production as developed reserves continue to be depleted.

Ashland Exploration generated operating income of \$36 million in 1993, compared to \$33 million in 1992 before unusual items. Earnings from domestic operations were up \$18 million resulting from a 27% increase in natural gas production, higher natural gas sales prices and the favorable effect of a contract settlement. However, results from foreign operations were down \$15 million reflecting a decline in crude oil production in Nigeria and additional expenses associated with seismic activity on two offshore Nigerian blocks.

GENERAL CORPORATE EXPENSES

General corporate expenses amounted to \$91 million in 1994 before the net effects of favorable settlements and reserves for other litigation matters, compared to \$77 million in 1993 and \$83 million in 1992. Expenses for 1994 included consulting fees and other expenses related to a corporate-wide cost

control program and higher accruals for performance-based compensation. Expenses declined from 1992 to 1993 due to the effects of personnel reductions under the voluntary enhanced retirement program implemented in 1992.

OTHER INCOME (EXPENSE)

Interest expense (net of interest income) amounted to \$117 million in 1994, \$123 million in 1993 and \$128 million in 1992. Adjusting for capitalized interest on refinery projects of \$9 million in 1993 and \$3 million in 1992, net interest costs incurred amounted to \$117 million in 1994, \$132 million in 1993 and \$131 million in 1992. Average debt levels declined significantly in 1994 compared to 1993. Average debt levels were up in 1993 compared to 1992, but the effect was largely offset by lower interest rates on floating-rate debt.

Results of Arch Mineral produced equity income of \$7 million in 1994, an equity loss of \$10 million in 1993 and equity income of \$10 million in 1992. The major factor in the fluctuations was the prolonged strike by the UMW which extended from April into December 1993 and had a significant effect on the comparability of results for both fiscal 1993 and 1994. In addition, equity income from Arch for 1992 included an insurance gain of \$8 million resulting from a fire at an Illinois mine. Sales tonnage was up significantly in 1994, largely due to the acquisition of the assets of Agipcoal USA.

Equity income from Ashland Coal for 1993 included a net gain of \$20 million resulting from a favorable adjustment to income tax expense due to tax law changes, partially offset by a charge to increase the valuation allowance for certain prepaid royalties. Excluding this unusual gain, equity income from Ashland Coal amounted to \$6 million in 1994, \$7 million in 1993 and \$13 million in 1992. The UMW strike (including the related aftereffects) was the major cause

of the reduced earnings for both 1994 and 1993.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and maintain investment grade ratings on its senior debt of Baa1 from Moody's and BBB from Standard & Poor's. Ashland has revolving credit agreements providing for up to \$350 million in borrowings, none of which were in use at September 30, 1994. At that date, Ashland could issue an additional \$227 million in medium-term notes under a shelf registration should future opportunities or needs arise. Ashland also has access to various uncommitted lines of credit and commercial paper markets, and had short-term notes and commercial paper of \$72 million outstanding at September 30, 1994. While certain debt agreements contain covenants restricting the amount by which Ashland can increase its indebtedness, such indebtedness could have been increased by up to \$724 million at September 30, 1994.

Cash and cash equivalents at September 30, 1994, were \$40 million, compared to \$41 million for 1993. Cash flows from operations, a major source of Ashland's liquidity, amounted to \$454 million in 1994, \$250 million in 1993 and \$398 million in 1992. The reduction in 1993 resulted principally from increased working capital. This increase included higher receivables and inventories associated with the greater level of business activity in several divisions, as well as higher than normal payables in 1992 related to capital expenditures and the voluntary enhanced retirement program. Cash flows from operations provided over 75% of Ashland's capital requirements for net property additions and dividends during the last three years. The remainder of its capital requirements during this period, plus funds for acquisitions, have come from borrowings, the issuance of convertible preferred stock, and the sale of operations.

Property additions amounted to \$1,312 million during the last three years and are summarized in the Information by Industry Segment on page 59. Expenditures by Ashland Petroleum amounted to 54% of the combined total for 1992 and 1993, as the refineries were upgraded to produce cleaner-burning fuels and to meet tougher environmental regulations. Accordingly, capital expenditures by Ashland's related energy and chemical businesses were curtailed to some extent during those years to meet the capital needs of the refineries. With the completion of various refinery units in 1993, investments in these energy and chemical businesses were accelerated, accounting for nearly 60% of Ashland's capital expenditures during 1994.

Long-term borrowings provided funds of \$664 million during the last three years, including the issuance of \$332 million of medium-term notes and \$250 million of 8.80% senior debentures. The proceeds from these debt issues, as well as \$293 million from the issuance of convertible preferred stock in 1993, were used to retire \$600 million of long-term debt (based on their scheduled maturities or opportunities for lower interest rates) and to partially fund the capital expenditure program. Cash flows were also supplemented as necessary by the issuance of short-term notes and commercial paper.

Cash requirements for acquisitions amounted to \$172 million since 1991, related primarily to the acquisition of Unocal's chemical distribution business in 1992, Valvoline's European distributorships in 1994 and several small chemical and construction companies. Proceeds from the sale of operations generated \$196 million during the last three years, including divestitures of APAC's construction operations in Arizona, 80 SuperAmerica stores, various assets acquired in the acquisition of The Permian Corporation in 1991, and Ashland Petroleum's TPT inland waterways barge operation.

Investment purchases, sales and maturities relate primarily to the turnover in the debt securities held by Ashland's captive insurance companies. The net cash outflow related to these transactions in the last three years reflected the increase in the investment portfolios of these companies.

Working capital at September 30, 1994, was \$483 million and liquid assets (cash, cash equivalents and accounts receivable) amounted to 81% of current liabilities at that date. Ashland's working capital is significantly affected by its use of the LIFO method of inventory valuation, which valued such inventories at \$395 million below their replacement costs at September 30, 1994.

CAPITAL RESOURCES

During fiscal 1995, Ashland anticipates capital expenditures of approximately \$425 million. Ashland Petroleum's capital expenditures are expected to decline to under 40% of the total, as additional capital is directed to growth opportunities in Ashland's related energy and chemical businesses. In addition, dividends are estimated at about \$85 million in 1995 based on shares currently outstanding and the recently announced increase in Ashland's annual common dividend rate from \$1.00 a share to \$1.10 a share, effective December 15, 1994. Ashland anticipates meeting over 80% of its 1995 capital requirements for property additions and dividends from internally generated funds. External financing will likely be necessary to provide funds for the remainder of such requirements and for scheduled maturities of \$61 million of long-term debt. However, debt as a percent of Ashland's capitalization is not expected to change significantly as a result of these capital requirements for 1995.

Ashland's capitalization at September 30, 1994, consisted of debt due within one year (4%), long-term debt (44%), deferred income taxes (1%), convertible preferred stock (9%) and common stockholders' equity (42%). At that date, long-term debt included \$87 million of floating-rate debt and the interest rates on an additional \$430 million of fixed-rate debt were converted to floating rates through interest rate swap agreements. As a result, interest costs for 1995 will fluctuate with short-term interest rates on about 35% of Ashland's long-term debt, as well as on any short-term notes and commercial paper.

ENVIRONMENTAL MATTERS

Federal, state and local laws and regulations relating to the protection of the environment have resulted in higher operating costs and capital investments by the industries in which Ashland operates. Because of the continuing trend toward greater environmental awareness and increasingly stringent regulations, Ashland believes that expenditures for environmental compliance will continue to have a significant effect on the conduct of its businesses. Although it cannot accurately predict how these developments will affect future operations and earnings, Ashland does not believe the nature and significance of its costs will vary significantly from those of its competitors in the petroleum and chemical industries.

Ashland has invested heavily in its refineries since 1989, primarily to equip them to make new federally-mandated fuels and to meet tougher environmental regulations related to air emissions. During 1993, Ashland completed five major units central to this effort. These units enabled Ashland to begin producing oxygenated fuels and low-sulfur diesel required for on-highway use as of October 1, 1993. Furthermore, the new units allow Ashland to meet the new reformulated gasoline requirements effective as of January 1, 1995, as well as the air emission regulations being phased in over the next few years.

Capital expenditures for air, water and solid waste facilities amounted to \$63 million in 1994, \$137 million in 1993 and \$162 million in 1992. Based on current environmental regulations, Ashland anticipates such capital expenditures will amount to about \$70 million in 1995. Ashland's operating expenditures for environmental remediation and compliance amounted to \$140 million in 1994, \$148 million in 1993 and \$138 million in 1992, and are expected to be around \$160 million in 1995. Compliance expenditures do not include the increased costs of additives, such as MTBE and ethanol, required to meet the oxygenated fuel requirements.

Environmental reserves are subject to considerable uncertainties which affect Ashland's ability to estimate its share of the ultimate costs of required remediation efforts. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites. As a result, charges to income for environmental liabilities could have a material effect on results of operations in a particular quarter or fiscal year as assessments and remediation efforts proceed or as new remediation sites are identified. However, such charges are not expected to have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity.

OUTLOOK

Refinery margins remain very volatile and natural gas prices are currently depressed. With these factors and the divestiture of APAC's construction operations in Arizona, it will be difficult to repeat the strong results Ashland achieved in last year's December quarter. However, the related energy and chemical businesses are expected to continue showing good results.

Not every refiner has been willing or able to add the expensive infrastructure needed to produce cleaner-burning fuels. As a result, the rationalization of the U.S. refining industry will likely continue. In addition, the implementation of reformulated gasoline and other alternatives for meeting local air quality goals may move gasoline more toward a specialty, rather than a commodity product. Furthermore, as gasoline grades proliferate, limitations

imposed by pipelines may create less transparent, more regionalized marketplaces. With Ashland's efficient transportation system, the ability of its refineries to upgrade crude oil into higher value products, the regional advantage usually enjoyed by Midwest markets and the trend toward "designer" gasolines, the long-term outlook for Ashland's refining margins has improved.

Since regulatory compliance expenditures have peaked for now, Ashland's discretionary cash flow position has improved. Ashland plans to continue capitalizing on its cash flow position by substantially increasing its investment in growth opportunities in Ashland's related energy and chemical businesses, as well as strengthening its competitive position in Ashland Petroleum by upgrading refinery streams and improving its marketing and transportation facilities.

During the next five years, SuperAmerica plans to add up to 200 new stores in areas supplied by Ashland Petroleum's refineries, increasing its share in strategic markets where it is already a leader and distributing a growing percentage of Ashland Petroleum's gasoline production. Valvoline recently expanded its presence in the \$1.7 billion U.S. automotive chemicals market by acquiring Zerex, the nation's No. 2 brand of antifreeze, and will continue expanding VIOC and its international operations. Ashland Chemical will emphasize integrated marketing efforts targeting its North American customers and a growing international sales base.

Increased infrastructure spending and an expanding economy should benefit APAC's efforts to build its position in existing markets. Although Ashland Exploration's earnings may continue to decline until its Nigerian reserves are replaced, the results were promising for the first well drilled in the two offshore Nigerian blocks acquired in 1992. Ashland Exploration plans to drill two additional wells in fiscal 1995 to further appraise the commercial potential of these blocks.

Efficient operations, access to major markets and a strong reserve base in central Appalachia position Arch Mineral and Ashland Coal to capitalize on an improving demand picture for low-sulfur coal. The outlook for continued growth at both companies is strong and, with the coal strike behind them, represents one of Ashland's best opportunities for improved earnings in 1995. Ashland continues to explore opportunities for enhancing the benefits derived from its coal investments.

EFFECTS OF INFLATION AND CHANGING PRICES

Ashland's consolidated financial statements are prepared on the historical cost method of accounting and, as a result, do not reflect changes in the

dollar's purchasing power. Although annual inflation rates have been low in recent years, Ashland's results are still affected by the cumulative inflationary trend from prior years.

In the capital-intensive industries in which Ashland operates, replacement costs for its properties would generally exceed their historical costs. Accordingly, depreciation, depletion and amortization expense would be greater if it were based on current replacement costs. However, since replacement facilities would reflect technological improvements and changes in business strategies, such facilities would be expected to be more productive than existing facilities, mitigating somewhat the increased depreciation expense.

Ashland uses the last-in, first-out (LIFO) method to value a substantial portion of its inventories to provide a better matching of revenues with current costs. However, LIFO values such inventories below their replacement costs.

Monetary assets (such as cash, cash equivalents and accounts receivable) lose purchasing power as a result of inflation, while monetary liabilities (such as accounts payable and indebtedness) result in a gain because they can be settled with dollars of diminished purchasing power. Ashland's monetary liabilities exceed its monetary assets, which results in net purchasing power gains and provides a hedge against the effects of future inflation.

QUARTERLY FINANCIAL INFORMATION

The following table presents quarterly financial information and per share data relative to Ashland's common stock.

	QUARTERS ENDED							
	DECEMBER 31		MARCH 31		JUNE 30		SEPTEMBER 30	
	1993	1992	1994	1993	1994	1993	1994	1993
	(IN MILLIONS EXCEPT PER SHARE DATA)							
Sales and operating revenues.....	\$2,572	\$2,555	\$2,207	\$2,386	\$2,703	\$2,605	\$2,853	\$2,653
Operating income.....	120	57	68	30 (1)	72	105	107 (2)	104
Net income.....	58	25	33	1 (1)	44	50	61 (2)	67 (3)
Earnings per share.....	.90	.41	.47	.01	.65	.81	.93	1.00
Common dividends per share.....	.25	.25	.25	.25	.25	.25	.25	.25
Market price per common share								
High.....	35 5/8	27 3/8	44 1/2	29 1/4	42 3/4	27 3/4	37 7/8	34 3/8
Low.....	31	23 5/8	34	25 5/8	33 1/2	24 1/4	33 1/4	25 3/8

(1) A gain on the sale of TPT, an inland waterways barge operation, increased operating income by \$15 million and net income by \$9 million in the quarter ended March 31, 1993.

(2) A net gain related to litigation matters increased operating income by \$11 million and net income by \$7 million in the quarter ended September 30, 1994.

(3) A net gain for Ashland Coal resulting from a favorable adjustment to income tax expense due to tax law changes, partially offset by a charge to increase the valuation allowance for certain prepaid royalties, increased net income by \$18 million in the quarter ended September 30, 1993.

STATEMENTS OF CONSOLIDATED INCOME
ASHLAND OIL, INC. AND SUBSIDIARIES

	YEARS ENDED SEPTEMBER 30		
	1994	1993	1992
	(IN MILLIONS EXCEPT PER SHARE DATA)		
REVENUES			
Sales and operating revenues (including excise taxes).....	\$ 10,334	\$ 10,199	\$ 10,211
Other.....	48	57	40
	10,382	10,256	10,251
COSTS AND EXPENSES			
Cost of sales and operating expenses.....	7,742	7,951	8,210
Excise taxes on products and merchandise.....	877	645	659
Selling, general and administrative expenses.....	1,021	993	1,023
Depreciation, depletion and amortization.....	295	293	290
General corporate expenses.....	80	77	132
	10,015	9,959	10,314
OPERATING INCOME (LOSS)			
	367	297	(63)
OTHER INCOME (EXPENSE)			
Interest expense (net of interest income) -- Notes A and F.....	(117)	(123)	(128)
Equity income -- Note D.....	22	26	33
INCOME (LOSS) BEFORE INCOME TAXES AND THE CUMULATIVE EFFECT OF ACCOUNTING CHANGES			
	272	200	(158)
Income taxes (credit) -- Note H.....	75	58	(90)
INCOME (LOSS) BEFORE THE CUMULATIVE EFFECT OF ACCOUNTING CHANGES			
	197	142	(68)
Cumulative effect of accounting changes -- Note A.....	--	--	(268)
NET INCOME (LOSS)			
	\$ 197	\$ 142	\$ (336)
EARNINGS (LOSS) PER SHARE -- Note A			
Primary			
Income (loss) before the cumulative effect of accounting changes.....	\$ 2.94	\$ 2.26	\$ (1.18)
Cumulative effect of accounting changes.....	--	--	(4.57)
Net income (loss).....	\$ 2.94	\$ 2.26	\$ (5.75)
Assuming full dilution			
Income (loss) before the cumulative effect of accounting changes.....	\$ 2.79	\$ 2.20	\$ (1.18)
Cumulative effect of accounting changes.....	--	--	(4.57)
Net income (loss).....	\$ 2.79	\$ 2.20	\$ (5.75)
AVERAGE COMMON SHARES AND EQUIVALENTS OUTSTANDING			
Primary.....	61	59	58
Assuming full dilution.....	72	66	58

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
ASHLAND OIL, INC. AND SUBSIDIARIES
ASSETS

	SEPTEMBER 30	
	1994	1993
	(IN MILLIONS)	
CURRENT ASSETS		
Cash and cash equivalents -- Note A.....	\$ 40	\$ 41
Accounts receivable (less allowances for doubtful accounts of \$23 million in 1994 and \$20 million in 1993).....	1,323	1,178
Construction completed and in progress -- at contract prices.....	55	51
Inventories -- Note A.....	601	553
Deferred income taxes -- Note H.....	71	78
Other current assets.....	81	72
	-----	-----
	2,171	1,973
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to unconsolidated affiliates -- Note D.....	291	280
Investments of captive insurance companies -- Note A.....	181	185
Cost in excess of net assets of companies acquired (less accumulated amortization of \$32 million in 1994 and \$31 million in 1993).....	80	65
Other noncurrent assets.....	276	279
	-----	-----
	828	809
PROPERTY, PLANT AND EQUIPMENT		
Cost		
Petroleum.....	2,911	2,790
SuperAmerica.....	459	440
Valvoline.....	273	250
Chemical.....	633	573
Construction.....	528	582
Exploration (successful efforts method).....	943	924
Corporate.....	151	146
	-----	-----
	5,898	5,705
Accumulated depreciation, depletion and amortization.....	(3,082)	(2,935)
	-----	-----
	2,816	2,770
	-----	-----
	\$ 5,815	\$ 5,552
	-----	-----

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
 ASHLAND OIL, INC. AND SUBSIDIARIES
 LIABILITIES AND STOCKHOLDERS' EQUITY

	SEPTEMBER 30	
	1994	1993
	(IN MILLIONS)	
CURRENT LIABILITIES		
Debt due within one year		
Notes payable to banks.....	\$ 57	\$ 42
Commercial paper.....	15	35
Current portion of long-term debt.....	61	82
Trade and other payables.....	1,520	1,418
Income taxes.....	35	42
	-----	-----
	1,688	1,619
NONCURRENT LIABILITIES		
Long-term debt (less current portion) -- Notes E and F.....	1,391	1,399
Accrued pension and other postretirement benefits -- Note K.....	515	511
Reserves of captive insurance companies.....	173	173
Deferred income taxes -- Note H.....	30	44
Other long-term liabilities and deferred credits.....	423	351
Commitments and contingencies -- Notes F, G and L.....		
	-----	-----
	2,532	2,478
STOCKHOLDERS' EQUITY -- Notes E, I and J		
Preferred stock, no par value, 30 million shares authorized		
Convertible preferred stock, 6 million shares issued, \$300 million liquidation value.....	293	293
Common stockholders' equity		
Common stock, par value \$1.00 per share		
Authorized -- 150 million shares		
Issued -- 61 million shares in 1994 and 60 million shares in 1993.....	61	60
Paid-in capital.....	159	143
Retained earnings.....	1,126	1,008
Loan to leveraged employee stock ownership plan (LESOP).....	(33)	(33)
Prepaid contribution to LESOP.....	--	(6)
Other.....	(11)	(10)
	-----	-----
Total common stockholders' equity.....	1,302	1,162
	-----	-----
	1,595	1,455
	-----	-----
	\$ 5,815	\$ 5,552
	-----	-----

See Notes to Consolidated Financial Statements.

STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY
ASHLAND OIL, INC. AND SUBSIDIARIES

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	LOAN TO LESOP	PREPAID CONTRIBUTION TO LESOP	OTHER	TOTAL
	-----	-----	-----	-----	-----	-----	-----
	(IN MILLIONS)						
BALANCE AT OCTOBER 1, 1991.....	\$60	\$130	\$1,325	\$(34)	\$(40)	\$ 3	\$1,444
Net loss.....			(336)				(336)
Dividends on common stock, \$1.00 a share.....			(58)		(2)		(60)
Increase in equity due to Ashland Coal stock issuance.....		14					14
Issued common stock under stock incentive plans.....		2					2
Allocation of LESOP shares to participants.....					18		18
Other changes.....						4	4
BALANCE AT SEPTEMBER 30, 1992.....	60	146	931	(34)	(24)	7	1,086
Net income.....			142				142
Dividends							
Preferred stock.....			(6)				(6)
Common stock, \$1.00 a share.....			(59)		(1)		(60)
Decrease in equity due to change in Ashland Coal capital structure.....		(6)					(6)
Issued common stock under stock incentive plans.....		2					2
Allocation of LESOP shares to participants.....					19		19
Other changes.....		1		1		(17)	(15)
BALANCE AT SEPTEMBER 30, 1993.....	60	143	1,008	(33)	(6)	(10)	1,162
Net income.....			197				197
Dividends							
Preferred stock.....			(19)				(19)
Common stock, \$1.00 a share.....			(60)				(60)
Issued common stock under stock incentive plans.....	1	16					17
Allocation of LESOP shares to participants.....					6		6
Other changes.....						(1)	(1)
BALANCE AT SEPTEMBER 30, 1994.....	\$61	\$159	\$1,126	\$(33)	\$ --	\$ (11)	\$1,302

See Notes to Consolidated Financial Statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
ASHLAND OIL, INC. AND SUBSIDIARIES

	YEARS ENDED SEPTEMBER 30		
	1994	1993	1992
	(IN MILLIONS)		
CASH FLOWS FROM OPERATIONS			
Income (loss) before the cumulative effect of accounting changes.....	\$ 197	\$ 142	\$ (68)
Expense (income) not affecting cash			
Depreciation, depletion and amortization (1).....	308	305	302
Deferred income taxes.....	2	14	(147)
Undistributed earnings of unconsolidated affiliates.....	(14)	(12)	(22)
Gain on sale of operations -- net of current income taxes.....	(3)	(12)	--
Other noncash items.....	39	(3)	208(2)
Change in operating assets and liabilities (3).....	(75)	(184)	125
	-----	-----	-----
	454	250	398
CASH FLOWS FROM FINANCING			
Proceeds from issuance of long-term debt.....	77	341	246
Proceeds from issuance of capital stock.....	17	295	2
Repayment of long-term debt.....	(109)	(367)	(124)
Increase (decrease) in short-term debt.....	(5)	(159)	97
Dividends paid.....	(79)	(66)	(60)
	-----	-----	-----
	(99)	44	161
CASH FLOWS FROM INVESTMENT			
Additions to property, plant and equipment.....	(376)	(432)	(504)
Purchase of operations -- net of cash acquired.....	(62)	(2)	(108)
Proceeds from sale of operations.....	59	107	30
Disposals of property, plant and equipment.....	23	32	38
Investment purchases (4).....	(335)	(451)	(466)
Investment sales and maturities (4).....	335	440	433
	-----	-----	-----
	(356)	(306)	(577)
DECREASE IN CASH AND CASH EQUIVALENTS.....	(1)	(12)	(18)
Cash and cash equivalents -- beginning of year.....	41	53	71
	-----	-----	-----
CASH AND CASH EQUIVALENTS -- END OF YEAR.....	\$ 40	\$ 41	\$ 53
	-----	-----	-----
DECREASE (INCREASE) IN OPERATING ASSETS (3)			
Accounts receivable.....	\$(153)	\$ 26	\$ 39
Construction completed and in progress.....	(3)	(13)	(3)
Inventories.....	(45)	67	65
Deferred income taxes.....	--	15	(2)
	-----	-----	-----
Other current assets.....	(7)	(8)	7
Investments and other assets.....	15	2	28
INCREASE (DECREASE) IN OPERATING LIABILITIES (3)			
Trade and other payables.....	95	(245)	30
Income taxes.....	(10)	(20)	(2)
Noncurrent liabilities.....	33	(8)	(37)
	-----	-----	-----
CHANGE IN OPERATING ASSETS AND LIABILITIES.....	\$ (75)	\$(184)	\$ 125
	-----	-----	-----

(1) Includes amounts charged to general corporate expenses.

(2) Includes noncash charges for unusual items totaling \$208 million consisting of provisions for a voluntary enhanced retirement program (\$31 million); various asset write-downs including properties held for sale and assets of discontinued operations (\$64 million); future environmental cleanup costs (\$41 million); reserves for future costs associated with certain custom boilers built by a former engineering subsidiary and other matters (\$38 million); and the current year effect of the adoption of a new accounting standard for postretirement benefits (\$34 million).

(3) Excludes changes resulting from operations acquired or sold.

(4) Represents primarily investment transactions of captive insurance companies.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
ASHLAND OIL, INC. AND SUBSIDIARIES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Ashland and its majority-owned subsidiaries. Investments in joint ventures and 20% to 50% owned affiliates are accounted for on the equity method.

INVENTORIES

	1994	1993
	----- (IN MILLIONS)	
Crude oil.....	\$ 243	\$ 273
Petroleum products.....	286	258
Chemicals and other products.....	421	337
Materials and supplies.....	46	45
Excess of replacement costs over LIFO carrying values.....	(395)	(360)
	-----	-----
	\$ 601	\$ 553
	-----	-----

Crude oil, petroleum products and chemicals with a replacement cost of approximately \$705 million at September 30, 1994, and \$652 million at September 30, 1993, are valued using the last-in, first-out (LIFO) method. The remaining inventories are stated generally at the lower of cost (using the first-in, first-out (FIFO) or average cost method) or market.

PROPERTY, PLANT AND EQUIPMENT

The cost of plant and equipment (other than capitalized exploration and development costs) is depreciated by the straight-line method over the estimated useful lives of the assets. Oil and gas exploration and development costs are accounted for using the successful efforts method. Capitalized exploration and development costs are depleted by the units-of-production method over the estimated recoverable reserves.

Estimated costs of major refinery turnarounds are accrued, while other maintenance and repair costs are expensed as incurred. Maintenance and repair expense amounted to \$279 million in 1994, \$248 million in 1993 and \$246 million in 1992.

ENVIRONMENTAL COSTS

Accruals for environmental costs are recognized when it is probable that a liability has been incurred and the amount of that liability can be reasonably estimated. Such costs are charged to expense if they relate to the remediation of conditions caused by past operations or are not expected to mitigate or prevent contamination from future operations. Accruals are recorded at undiscounted amounts based on experience, assessments and current technology without regard to any third-party recoveries, and are regularly adjusted as environmental assessments and remediation efforts proceed.

EARNINGS PER SHARE

Primary earnings per share is based on net income less preferred dividends divided by the average number of common shares and equivalents outstanding during the respective years. Average common shares outstanding exclude average

unallocated shares (423,000 shares in 1994, 973,000 shares in 1993 and 1,522,000 shares in 1992) related to the prepaid contribution to the leveraged employee stock ownership plan. Shares of common stock issuable under stock options are treated as common stock equivalents when dilutive.

Earnings per share assuming full dilution begins with the primary earnings per share computation. Shares issuable upon conversion of the preferred stock and 6.75% subordinated debentures are added to average common shares and equivalents when dilutive. In such cases, net income is further adjusted by adding back preferred dividends and interest expense (net of tax) on these debentures.

DERIVATIVE INSTRUMENTS

Ashland uses commodity futures and option contracts to reduce its exposure to fluctuations in prices for crude oil, petroleum products and natural gas. Gains and losses on these contracts are deferred and accounted for as part of the transactions or activities being hedged.

Ashland uses interest rate swap agreements to obtain greater access to the lower borrowing costs normally available on floating-rate debt, while minimizing refunding risk through the issuance of long-term, fixed-rate debt. Settlements under the swap agreements are recognized as adjustments of interest expense.

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING CHANGES

In 1992, Ashland adopted Financial Accounting Standards (FAS) Board Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and FAS 109, "Accounting for Income Taxes," both effective as of October 1, 1991. FAS 106 requires that the projected future cost of providing postretirement benefits such as health care and life insurance be recognized as an expense as employees render service instead of when benefits are paid. The adoption of FAS 106 resulted in a net charge to income of \$279 million (\$415 million before tax), or \$4.76 per share, for the cumulative effect of the accounting change for prior periods. FAS 109 superseded FAS 96, which Ashland adopted effective October 1, 1987, and is less restrictive than FAS 96 in allowing recognition of deferred tax assets. However, FAS 109 also requires that such assets be reduced by a valuation allowance unless it is more likely than not that those benefits will be realized. Ashland's adoption of FAS 109 resulted in a net credit to income of \$11 million, or \$.19 per share, for the cumulative effect of the accounting change for prior periods.

Effective September 30, 1994, Ashland adopted FAS 115, "Accounting for Certain Investments in Debt and Equity Securities." As a result, investments of captive insurance companies are now carried at quoted market prices plus accrued interest. Previously, such investments were carried at cost plus accrued interest. The adoption did not have a significant effect on Ashland's consolidated financial statements.

OTHER

Cash equivalents include highly liquid investments maturing within three months after purchase. Investments of captive insurance companies are primarily foreign corporate and government debt obligations.

Income related to construction contracts is generally recognized by the units-of-production method, which is a variation of the percentage-of-completion method. Any anticipated losses on such contracts are charged against operations as soon as such losses are estimable.

Costs in excess of net assets of companies acquired are amortized by the straight-line method over periods generally ranging from 10 to 40 years, with an average remaining life of 14 years.

Research and development costs are expensed as incurred (\$12 million in 1994, \$14 million in 1993 and \$14 million in 1992).

Interest is capitalized on projects where construction of an asset takes considerable time and entails substantial expenditures. Capitalized interest amounted to \$9 million in 1993 and was not significant in 1994 and 1992.

The Financial Accounting Standards Board has issued a statement which Ashland has not yet adopted, regarding accounting for postemployment benefits. When adopted effective October 1, 1994, this statement will not have a significant effect on Ashland's consolidated financial statements.

NOTE B -- ACQUISITIONS AND DIVESTITURES

ACQUISITIONS

In February 1992, Ashland completed the acquisition of Unocal's chemical distribution business for \$84 million. The business involves the distribution of a wide range of chemicals, hydrocarbon solvents and specialty ingredients through a nationwide network of distribution centers.

This acquisition and several smaller acquisitions completed in various segments during the last three years did not have a significant effect on Ashland's consolidated financial statements. All these acquisitions have been accounted for as purchases.

DIVESTITURES

In 1992, Ashland completed the sale of its Corpus Christi, Texas, marine terminal, pipelines and gathering systems. These assets were acquired in the 1991 acquisition of The Permian Corporation.

In 1993, Ashland sold various operations, including its TPT inland waterways barge operation, the Thunderbird crude oil common carrier pipeline system in Montana and Wyoming, and 80 SuperAmerica stores in Florida and other non-strategic areas outside markets served by Ashland Petroleum's refineries. In addition, several other smaller operations engaged in petroleum, chemical and construction activities were sold. Proceeds from the sale of these operations totaled \$107 million and, except for a pretax gain of \$15 million on the sale of TPT, resulted in no significant gain or loss.

In 1994, Ashland completed the sale of APAC's Arizona operations.

Except as indicated, the divestitures discussed above and several smaller divestitures completed in various segments during the last three years did not have a significant effect on Ashland's consolidated financial statements.

NOTE C -- INFORMATION BY INDUSTRY SEGMENT

Ashland's operations are conducted primarily in the United States and are managed along industry segments, which include Petroleum, SuperAmerica, Valvoline, Chemical, Construction and Exploration. In addition, Ashland is involved in the coal industry through equity interests in Arch Mineral Corporation and Ashland Coal, Inc. (see Note D). Information by industry segment is shown on pages 58 and 59.

Petroleum operations are conducted by Ashland Petroleum, one of the nation's largest independent petroleum refiners. In addition to supplying petroleum products to SuperAmerica, Valvoline, Ashland Chemical and APAC, Ashland Petroleum is a leading supplier of petroleum products to the transportation and commercial fleet industries, other industrial customers and independent marketers (including dealers operating under the Ashland-R- brand name). Principal products include gasoline, distillates and kerosene, asphalt, jet and turbine fuel, lubricants, and heavy fuel oils. Ashland Petroleum also gathers and transports crude oil and petroleum products in connection with its refining and wholesale marketing operations and markets crude oil through Scurlock Permian.

SuperAmerica includes Ashland's retail gasoline and merchandise marketing operations, including the SuperAmerica-R- chain of high-volume retail stores. Gasoline and merchandise are also sold from outlets operated by SuperAmerica

under the Rich-R- brand name. Operations are conducted primarily in the Ohio Valley and Upper Midwest.

Valvoline is a marketer of automotive and industrial oils, automotive chemicals, filters, rust preventives and coolants with sales in more than 140 countries. In addition, Valvoline is engaged in the "fast oil change" business through outlets operating under the Valvoline Instant Oil Change-R- and Valvoline Rapid Oil Change-R- names, and provides environmental services for the collection of used oil, antifreeze and filters.

Chemical businesses are managed by Ashland Chemical, which distributes industrial chemicals, solvents, thermoplastics and resins, and fiberglass materials. Ashland Chemical also manufactures a wide variety of specialty chemicals and certain petrochemicals. Major specialty chemicals include foundry products, water treatment and marine service chemicals, specialty polymers and adhesives, unsaturated polyester resins, and high-purity electronic and laboratory chemicals. Principal petrochemicals include cumene, toluene, xylene, aromatic and aliphatic solvents, propylene, maleic anhydride and methanol.

Construction operations are conducted by the APAC group of companies, which perform contract construction work including highway paving and repair, excavation and grading, and bridge and sewer construction. APAC also produces asphaltic and ready-mix concrete, crushed stone and other aggregate, concrete block and certain specialized construction materials in thirteen southern states.

Exploration operations are conducted by Ashland Exploration, which is engaged in crude oil and natural gas production in the eastern and Gulf Coast areas of the United States and crude oil production in Nigeria.

Arch Mineral produces metallurgical and steam coal from surface and deep mines in Illinois, Kentucky, West Virginia and Wyoming for sale to utility and steel companies. Ashland Coal produces low-sulfur bituminous coal in central Appalachia for sale to domestic and foreign electric utility and industrial markets. Both Arch Mineral and Ashland Coal market coal mined by independent producers.

Certain information with respect to foreign operations follows.

	TOTAL ASSETS		INCOME BEFORE INCOME TAXES		
	1994	1993	1994	1993	1992
	(IN MILLIONS)				
Foreign operations					
Petroleum.....	\$ --	\$ --	\$ 1	\$ 2	\$ 2
Valvoline.....	150	74	10	6	9
Chemical.....	220	174	28	27	34
Exploration.....	46	45	22	14	28
	----	----	----	----	----
	\$416	\$293	\$61	\$49	\$73
	----	----	----	----	----
	----	----	----	----	----

NOTE D -- UNCONSOLIDATED AFFILIATES

Affiliated companies accounted for under the equity method include: Arch Mineral Corporation (a 50% owned coal company); Ashland Coal, Inc. (a 39% owned publicly traded coal company); LOOP INC. and LOCAP INC. (18.6% and 21.4% owned corporate joint ventures operating a deepwater offshore port and related pipeline facilities in the Gulf of Mexico); and various other companies. Summarized financial information reported by these affiliates and a summary of the amounts recorded in Ashland's consolidated financial statements follow.

	ARCH MINERAL CORPORATION	ASHLAND COAL, INC.	LOOP INC. AND LOCAP INC.	OTHER	TOTAL
	(IN MILLIONS)				
SEPTEMBER 30, 1994					
Financial position					
Current assets.....	\$ 173	\$ 119	\$ 36	\$ 204	
Current liabilities.....	(132)	(110)	(86)	(123)	
Working capital.....	41	9	(50)	81	
Noncurrent assets.....	797	721	638	203	
Noncurrent liabilities.....	(713)	(373)	(525)	(96)	
Stockholders' equity.....	\$ 125	\$ 357	\$ 63	\$ 188	
Results of operations					
Sales and operating revenues.....	\$ 641	\$ 561	\$ 149	\$ 701	
Gross profit.....	60	71	54	172	
Net income.....	14	17	15	14	
Amounts recorded by Ashland					
Investments and advances.....	70	138(1)	12	71	\$ 291
Equity income.....	7	6	3	6	22
Dividends received.....	--	3	--	5	8
SEPTEMBER 30, 1993					
Financial position					
Current assets.....	\$ 114	\$ 133	\$ 35	\$ 195	
Current liabilities.....	(104)	(70)	(79)	(123)	
Working capital.....	10	63	(44)	72	
Noncurrent assets.....	738	748	666	199	
Noncurrent liabilities.....	(637)	(465)	(571)	(90)	
Stockholders' equity.....	\$ 111	\$ 346	\$ 51	\$ 181	
Results of operations					
Sales and operating revenues.....	\$ 485	\$ 550	\$ 143	\$ 654	
Gross profit (loss).....	(13)	58	49	154	
Net income (loss).....	(20)	41(2)	9	17	
Amounts recorded by Ashland					
Investments and advances.....	63	132	10	75	\$ 280
Equity income (loss).....	(10)	27	2	7	26
Dividends received.....	4	3	1	6	14
SEPTEMBER 30, 1992					
Results of operations					
Sales and operating revenues.....	\$ 540	\$ 528	\$ 156	\$ 599	
Gross profit.....	31	86	58	148	
Net income (loss).....	(104)(3)	35	21	13	
Amounts recorded by Ashland					
Equity income.....	10	13	4	6	\$ 33
Dividends received.....	4	3	--	4	11

(1) The market value of Ashland's investment is \$214 million based on the market price of Ashland Coal's common stock.

(2) Includes a net gain of \$44 million resulting from a favorable adjustment to income tax expense due to tax law changes, partially offset by a charge to increase the valuation allowance for certain prepaid royalties. Also includes a net charge of \$19 million for the cumulative effect of the adoption of FAS 106 and FAS 109, which was recorded by Ashland in 1992.

(3) Includes a net after-tax charge of \$123 million for the adoption of FAS 106 and FAS 109 along with an after-tax gain of \$15 million from insurance proceeds resulting from a fire at an Illinois mine.

Ashland's retained earnings include \$159 million of undistributed earnings

from unconsolidated affiliates accounted for under the equity method.

NOTE E -- LONG-TERM DEBT

	1994	1993
	----- (IN MILLIONS) -----	
Senior debt		
Medium-term notes, due 1995-2023, interest at an average rate of 8.8% at September 30, 1994 (5.8% to 10.4%).....	\$ 661	\$ 668
8.80% debentures, due 2012.....	250	250
11.125% sinking fund debentures, due 2017.....	200	200
Pollution control and industrial revenue bonds, due 1996 to 2020, interest at an average rate of 6.3% at September 30, 1994 (3.4% to 8.1%).....	162	162
Note payable to bank for financing of leveraged employee stock ownership plan, due 1995-1996, interest at a combination of an adjusted certificate of deposit rate and 76% of the prime rate (5.2% at September 30, 1994).....	33	33
Other.....	21	19
	-----	-----
	1,327	1,332
Other		
6.75% convertible subordinated debentures, due 2014, convertible into common stock at \$51.34 per share.....	124	142
Subsidiary debt not guaranteed by Ashland and other.....	1	7
	-----	-----
	125	149
	-----	-----
	1,452	1,481
Current portion of long-term debt.....	(61)	(82)
	-----	-----
	\$ 1,391	\$ 1,399
	-----	-----

Aggregate maturities of long-term debt are \$61 million in 1995, \$65 million in 1996, \$60 million in 1997, \$49 million in 1998 and \$49 million in 1999. Excluded from such maturities are \$38 million of floating rate pollution control and industrial revenue bonds, due between 2003 and 2009. These bonds are subject to early redemptions at the bondholders' option, but generally not before 1996.

Ashland has various revolving credit agreements totaling \$350 million under

which no borrowings were outstanding at September 30, 1994. The agreement providing for \$300 million in borrowings expires on March 9, 1998, while the agreements providing for \$50 million in borrowings expire on February 24, 1995.

Certain debt agreements contain covenants restricting dividends, share repurchases and other distributions with respect to Ashland's capital stock, as well as covenants limiting new borrowings. At September 30, 1994, distributions with respect to Ashland's capital stock were restricted to \$873 million.

Interest payments on all indebtedness amounted to \$119 million in 1994, \$131 million in 1993 and \$130 million in 1992.

NOTE F -- FINANCIAL INSTRUMENTS

Ashland uses interest rate swap agreements to obtain greater access to the lower borrowing costs normally available on floating-rate debt, while minimizing refunding risk through the issuance of long-term, fixed-rate debt. At September 30, 1994, Ashland had unleveraged agreements with a notional principal amount of \$430 million which were used to convert fixed rates on its 8.80% debentures and certain medium-term notes to variable rates based on three-month or six-month London Interbank Offered Rates (LIBOR). At that date, Ashland was receiving a weighted-average fixed interest rate of 5.8% and paying a weighted-average variable interest rate of 5%, calculated on the notional amount. Notional amounts do not quantify risk or represent assets or liabilities of Ashland, but are used in the determination of cash settlements under the agreements. The terms remaining on Ashland's swaps range from 14 to 52 months, with a weighted-average remaining life of 38 months.

Interest expense was reduced by \$9 million in 1994, \$8 million in 1993 and \$2 million in 1992 resulting from settlements under these agreements. Ashland is exposed to credit losses from counterparty nonperformance, but does not anticipate any losses from its agreements, all of which are with major financial institutions. Due to increasing interest rates, the estimated fair value of Ashland's swaps amounted to a net liability of \$15 million at September 30, 1994, compared to a net asset of \$22 million at September 30, 1993. This decline in value was more than offset by the decline in the fair value of the related fixed-rate indebtedness. Under its current swap agreements, Ashland's annual interest expense in 1995 will change by about \$4 million for each 1% change in LIBOR.

NOTE F -- FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts and fair values of Ashland's significant financial instruments at September 30, 1994 and 1993 are shown below. The fair values of cash and cash equivalents, notes payable to banks and commercial paper approximate their carrying amounts. The fair values of investments of captive

insurance companies are based on quoted market prices plus accrued interest. The fair values of long-term debt are based on quoted market prices or, if market prices are not available, the present values of the underlying cash flows discounted at Ashland's incremental borrowing rates. The fair values of interest rate swaps are based on quoted market prices, which reflect the present values of the difference between estimated future variable-rate payments and future fixed-rate receipts.

	1994		1993	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
(IN MILLIONS)				
Assets				
Cash and cash equivalents.....	\$ 40	\$ 40	\$ 41	\$ 41
Investments of captive insurance companies.....	181	181	185	198
Liabilities				
Notes payable to banks and commercial paper.....	72	72	77	77
Long-term debt (including current portion).....	1,452	1,517	1,481	1,713
Interest rate swaps.....	--	15	--	(22)

NOTE G -- LEASES AND OTHER COMMITMENTS

LEASES

Ashland and its subsidiaries are lessees in noncancelable leasing agreements for office buildings, warehouses, pipelines, transportation and marine equipment, storage facilities, retail outlets, manufacturing facilities and other equipment and properties which expire at various dates. Capitalized lease obligations are not significant and are included in long-term debt. Future minimum rental payments at September 30, 1994, and rental expense under operating leases follow.

FUTURE MINIMUM RENTAL PAYMENTS	RENTAL EXPENSE	1994	1993	1992
(IN MILLIONS)		(IN MILLIONS)		
1995.....	\$ 63			
1996.....	50			
1997.....	41			
1998.....	40			
		\$ 113	\$ 111	\$ 104
1999.....	35	12	11	12
Later years.....	222	(12)	(17)	(13)
	\$ 451	\$ 113	\$ 105	\$ 103

OTHER COMMITMENTS

Under agreements with LOOP and LOCAP (see Note D), Ashland is committed to advance funds against future transportation charges if these corporate joint ventures are unable to meet their cash requirements. Such advances are limited to Ashland's share, based on its equity interests, of the total debt service and defined operating and administrative costs of these companies. Such advances, however, are reduced by (1) transportation charges Ashland paid, (2) a pro rata portion of transportation charges paid by other equity participants in excess of their required amounts, and (3) a pro rata portion of transportation charges paid by third parties who are not equity participants. At September 30, 1994, all advances made to LOOP and LOCAP by Ashland had been applied against transportation charges. Transportation charges incurred amounted to \$24 million in 1994, \$22 million in 1993 and \$25 million in 1992. At September 30, 1994, Ashland's contingent liability for its share of the indebtedness of LOOP and LOCAP secured by throughput and deficiency agreements amounted to approximately \$100 million.

Ashland is contingently liable under guarantees of certain debt and lease obligations of Ashland Coal, Inc., an unconsolidated affiliate. At September 30, 1994, such obligations have a present value of approximately \$16 million. Ashland is also contingently liable for up to \$16 million of borrowings under a revolving credit agreement of AECOM Technology Corporation, an unconsolidated affiliate. Ashland's guaranteed portion of outstanding borrowings under this agreement amounted to \$9 million at September 30, 1994.

NOTE H -- INCOME TAXES

A summary of the provision for income taxes follows. The 1993 provision was not significantly affected by tax legislation that, among other things, increased the federal income tax rate 1%, effective January 1, 1993.

	1994	1993	1992
	-----	-----	-----
	(IN MILLIONS)		
Current (1)			
Federal.....	\$56	\$24	\$ 41
State.....	8	13	8
Foreign.....	9	7	8
	-----	-----	-----
	73	44	57
	-----	-----	-----
Deferred			
Federal and state.....	2	14	(145)
Foreign.....	--	--	(2)
	-----	-----	-----
	2	14	(147)
	-----	-----	-----
	\$75	\$58	\$ (90)
	-----	-----	-----
	-----	-----	-----

(1) Income tax payments amounted to \$70 million in 1994, \$41 million in 1993 and \$40 million in 1992.

Deferred income taxes are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences which give rise to significant deferred tax assets (liabilities) follow.

	1994	1993
	-----	-----
	(IN MILLIONS)	
Accrued pension and other postretirement benefits.....	\$ 205	\$ 202
Environmental, insurance and litigation reserves.....	116	103
Alternative minimum tax credit carryforwards.....	23	19
Property related items other than depreciation.....	23	25
Uncollectible accounts receivable.....	17	18
Other items.....	75	79
	-----	-----
Total deferred tax assets.....	459	446
	-----	-----
Accelerated depreciation.....	(357)	(351)
Intangible drilling costs.....	(38)	(33)
Undistributed equity income.....	(16)	(17)
Other items.....	(7)	(11)
	-----	-----
Total deferred tax liabilities.....	(418)	(412)
	-----	-----
Net deferred tax asset.....	\$ 41	\$ 34
	-----	-----
	-----	-----

The U.S. and foreign components of income before income taxes and a reconciliation of the normal statutory federal income tax with the provision for income taxes follow.

	1994	1993	1992
	-----	-----	-----
	(IN MILLIONS)		
Income (loss) before income taxes			
United States.....	\$ 211	\$ 151	\$ (231)
Foreign.....	61	49	73
	-----	-----	-----
	\$ 272	\$ 200	\$ (158)
	-----	-----	-----
Income taxes computed at U.S. statutory rates.....	\$ 95	\$ 70	\$ (54)
Increase (decrease) in amount computed resulting from			
Equity income.....	(7)	(6)	(9)
State income taxes.....	6	9	(10)
Net impact of foreign results.....	(7)	(7)	(7)
Non-conventional fuel credit.....	(10)	(9)	(9)
Other items.....	(2)	1	(1)
	-----	-----	-----
	\$ 75	\$ 58	\$ (90)
	-----	-----	-----
	-----	-----	-----

The Internal Revenue Service (IRS) has examined Ashland's consolidated U.S. income tax returns through 1989. As a result of its examinations, the IRS has proposed adjustments, certain of which are being contested by Ashland. Ashland believes it has adequately provided for any income taxes and related interest which may ultimately be paid on contested issues.

NOTE I -- CAPITAL STOCK

In May 1993, Ashland completed the sale of six million shares of cumulative convertible preferred stock priced at \$50 per share. Net proceeds, after fees and expenses, totaled \$293 million and were used to reduce debt. The shares have no voting rights and are entitled to cumulative annual dividends of \$3.125 per share. They have liquidation preferences equal to \$50 per share plus accrued and unpaid dividends, and are convertible at any time at the option of the holders into 1.546 shares of Ashland common stock. The preferred shares are redeemable at the option of Ashland at \$51.88 per share beginning March 25, 1997, and declining gradually to \$50 per share by March 15, 2003, plus accrued and unpaid dividends to the redemption date.

Under Ashland's Shareholder Rights Plan, each common share is accompanied by one-half of a Right to purchase one-tenth share of preferred stock for \$120 (the "Exercise Price"). Each one-tenth share of preferred stock will be entitled to dividends and to vote on an equivalent basis with two common shares. The Rights are not exercisable or detachable from the common shares until 10 days after any party acquires 15% or more (or announces a tender offer for 20% or more) of Ashland's common stock. If any party acquires 20% or more of Ashland's common stock or acquires Ashland in a business combination, each Right (other than those held by the acquiring party) will entitle the holder to purchase stock of Ashland or the acquiring company having a market value of two times the Exercise Price. The Rights expire on May 15, 1996, and can be redeemed at any time prior to becoming exercisable.

At September 30, 1994, 10 million shares of cumulative preferred stock are reserved for potential issuance under the Shareholder Rights Plan. At September 30, 1994, 16 million common shares are reserved for conversion of debentures and preferred stock and for issuance under outstanding stock options.

NOTE J -- STOCK OWNERSHIP PLANS

LEVERAGED EMPLOYEE STOCK OWNERSHIP PLAN

During 1986, Ashland established a leveraged employee stock ownership plan (LESOP) to cover the majority of its salaried employees. LESOP purchases of Ashland common stock that year were generally funded through a loan from Ashland, of which the remaining principal at September 30, 1986, amounted to \$246 million. In 1987, Ashland contributed excess assets recovered from certain company pension plans to the LESOP and prepaid \$212 million of the remaining principal. Because one-half of employees' LESOP accounts serve to fund future benefits paid by certain pension plans, one-half of the funds used to prepay debt was accounted for by Ashland as a prepaid LESOP contribution.

Ashland common shares held by the LESOP related to the contribution of excess pension assets were allocated to employees' accounts over an eight-year period ending September 30, 1994. The remaining shares are allocated as the loan to the LESOP is repaid. The projected costs of the LESOP (including the prepaid contribution, projected dividends on the related unallocated shares and projected future contributions) are being expensed on a pro rata basis as the original shares are allocated to employees. This expense totaled \$18 million annually in 1994, 1993 and 1992. Additional contributions from Ashland were not required through September 30, 1994, since dividends on unallocated shares exceeded interest and administrative costs, with the excess used to prepay portions of the remaining principal on the loan. Contributions from Ashland will resume in fiscal 1995 as principal payments on the loan become due.

STOCK INCENTIVE PLANS

Ashland has stock incentive plans under which key employees or directors can purchase shares of common stock under stock options or restricted stock awards. Stock options are granted to employees at a price equal to the fair market value of the stock on the date of grant and become exercisable over periods of one to three years. Unexercised options lapse 10 years after the date of grant. Restricted stock awards entitle employees or directors to purchase shares at a nominal cost, to vote such shares and to receive any dividends thereon. However, such shares are subject to forfeiture upon termination of service before the restriction period ends.

	1994		1993		1992	
	COMMON SHARES	PRICE RANGE PER SHARE	COMMON SHARES	PRICE RANGE PER SHARE	COMMON SHARES	PRICE RANGE PER SHARE
(IN THOUSANDS EXCEPT PER SHARE DATA)						
Options outstanding -- beginning of year						
(1).....	4,504	\$13 3/8 - 41	3,918	\$13 3/8 - 41	3,349	\$13 3/8 - 41
Options granted.....	860	35 7/8 - 37 1/2	934	24 5/8 - 33 1/8	753	23 7/8 - 30 3/4
Options exercised.....	(639)	13 3/8 - 41	(81)	13 3/8 - 33 3/8	(71)	13 3/8 - 30 3/4
Options canceled.....	(28)	23 7/8 - 41	(267)	23 7/8 - 41	(113)	30 - 41
Options outstanding -- end of year (1).....	4,697	\$14 1/4 - 41	4,504	\$13 3/8 - 41	3,918	\$13 3/8 - 41
Options exercisable -- end of year.....	3,242	\$14 1/4 - 41	3,080	\$13 3/8 - 41	2,597	\$13 3/8 - 41

(1) Shares of common stock available for issuance under options or awards amounted to 2,295,000 at September 30, 1994, and 2,660,000 at October 1,

NOTE K -- EMPLOYEE BENEFIT PLANS

PENSION PLANS

Ashland sponsors pension plans which cover substantially all employees, other than union employees covered by multiemployer pension plans under collective bargaining agreements. Benefits under Ashland's plans generally are based on the employee's years of service and compensation during the years immediately preceding retirement. For certain plans, such benefits are expected to come in part from one-half of employees' leveraged employee stock ownership plan (LESOP) accounts. Ashland determines the level of contributions to its pension plans annually and contributes amounts within allowable limitations imposed by Internal Revenue Service regulations. Ashland contributed the maximum tax-deductible contributions to its pension plans in 1994 and 1993, while full funding limitations prohibited Ashland from making significant contributions in 1992. The following tables detail the funded status of the plans and the components of pension expense. A discount rate of 8% and an assumed rate of salary increases of 5% were used in determining the actuarial present value of projected benefit obligations at September 30, 1994 (7% and 5% at September 30, 1993).

	1994		1993	
	PLANS WITH ASSETS IN EXCESS OF ABO	PLANS WITH ABO IN EXCESS OF ASSETS	PLANS WITH ASSETS IN EXCESS OF ABO	PLANS WITH ABO IN EXCESS OF ASSETS
	(IN MILLIONS)			
Plan assets at fair value (primarily listed stocks and bonds).....	\$ 36	\$185	\$ 36	\$177
Accumulated benefit obligations (ABO)				
Vested.....	30	188	31	190
Nonvested.....	5	44	5	34
	35	232	36	224
Plan assets less than (in excess of) ABO....	(1)	47(1)	--	47
Provision for future salary increases.....	12	131	12	146
Deferred pension costs.....	(8)	(40)	(12)	(67)
Net accrued pension costs (2).....	\$ 3	\$138	\$ --	\$126
Components of deferred pension costs				
Unrecognized transition gain.....	\$ 3	\$ 10	\$ 3	\$ 15
Unrecognized net loss.....	(10)	(63)	(14)	(88)
Unrecognized prior service costs.....	(1)	(9)	(1)	(10)
Recognition of minimum liability.....	--	22	--	16
	\$ (8)	\$(40)	\$(12)	\$(67)

	1994	1993	1992
	(IN MILLIONS)		
Components of pension expense			
Service cost.....	\$ 24	\$ 26	\$ 20
Interest cost.....	29	28	24
Actual investment loss (gain) on plan assets.....	7	(24)	(15)
Deferred investment (loss) gain (3).....	(27)	10	1
Other amortization and deferral.....	4	5	--
Voluntary enhanced retirement program pension cost.....	--	--	9
	\$ 37	\$ 45	\$ 39

- (1) Includes unfunded ABO of \$44 million for non-qualified supplemental pension plans.
- (2) Amounts are recorded in various asset and liability accounts on Ashland's consolidated balance sheets.
- (3) The expected long-term rate of return on plan assets was 9% for 1994 and 1993, and 10% for 1992.

OTHER POSTRETIREMENT BENEFIT PLANS

Ashland sponsors several unfunded benefit plans which provide health care and life insurance benefits for eligible employees who retire from active service. The health care plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. The life insurance plans are generally noncontributory. Ashland's policy is to fund the costs of postretirement plans on a pay-as-you-go basis. During 1992, Ashland adopted Financial Accounting

During 1993, Ashland amended nearly all of its retiree health care plans to place a cap on the company's contributions and to adopt a cost-sharing method based upon a retiree's years of service. The cap limits the company's contribution to average retiree per capita health care costs for 1992 (net of direct retiree contributions), increasing thereafter by up to 4.5% per year. If per capita health care costs increase by more than 4.5% per year, the additional costs will be paid by retirees through higher contributions. As a result, the accumulated postretirement benefit obligation (APBO) for retiree health care plans was reduced by \$197 million and postretirement health care expense decreased after 1992 to amounts more closely approximating pre-1992 pay-as-you-go levels.

NOTE K -- EMPLOYEE BENEFIT PLANS (CONTINUED)

The following tables detail the status of the plans and the components of postretirement benefit expense. The APBO was determined using a discount rate of 8% at September 30, 1994, and 7% at September 30, 1993. Under the amended plan, the assumed annual rate of increase in the per capita cost was 4.5% beginning in 1993.

	1994		1993		1992	
	HEALTH CARE	LIFE INSURANCE	HEALTH CARE	LIFE INSURANCE	HEALTH CARE	LIFE INSURANCE
	(IN MILLIONS)					
Accumulated postretirement benefit obligations (APBO)						
Retirees.....	\$ 93	\$ 19	\$ 102	\$ 20		
Fully eligible active plan participants.....	38	5	41	5		
Other active plan participants.....	86	5	95	5		
	-----	---	-----	---		
	217	29	238	30		
Unrecognized net loss.....	(17)	--	(51)	(2)		
Unrecognized plan amendment credit.....	158	8	180	8		
	-----	---	-----	---		
Accrued other postretirement benefit costs.....	\$ 358	\$ 37	\$ 367	\$ 36		
	-----	---	-----	---		
Components of other postretirement benefit expense						
Service cost.....	\$ 7	\$ 1	\$ 6	\$ 1	\$ 15	\$ 1
Interest cost.....	16	2	16	2	28	3
Amortization and deferral (principally plan amendment credit).....	(15)	(1)	(17)	(1)	--	--
	-----	---	-----	---	---	---
	\$ 8	\$ 2	\$ 5	\$ 2	\$ 43	\$ 4
	-----	---	-----	---	---	---
	-----	---	-----	---	---	---

OTHER PLANS

Certain union employees are covered under multiemployer defined benefit pension plans administered by unions. Amounts charged to pension expense and contributed to the plans were \$1 million annually in 1994, 1993 and 1992.

Ashland sponsors a Thrift Plan to assist eligible employees in providing for retirement or other future financial needs. Ashland matches employee contributions up to 6% of their qualified earnings at a rate of 70% (20% for LESOP participants). Ashland's contributions to the Plan amounted to \$7 million annually in 1994, 1993 and 1992.

NOTE L -- LITIGATION, CLAIMS AND CONTINGENCIES

Ashland is subject to various federal, state and local environmental laws and regulations which require remediation efforts at multiple locations, including operating facilities, previously owned or operated facilities, and Superfund or other waste sites. Consistent with its accounting policy for environmental costs, Ashland's reserves for environmental assessments and remediation efforts amounted to \$167 million at September 30, 1994, and \$139 million at September 30, 1993. Such amounts reflect Ashland's most likely estimates of the costs which will be incurred over an extended period to remediate identified environmental conditions for which costs are reasonably estimable.

Environmental reserves are subject to considerable uncertainties which affect Ashland's ability to estimate its share of the ultimate costs of required remediation efforts. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites. As a result, charges to income for environmental liabilities could have a material effect on results of operations in a particular quarter or fiscal year as assessments and remediation efforts proceed or as new remediation sites are identified. However, such charges are not expected to have a material adverse effect on Ashland's consolidated financial position.

Ashland has numerous insurance policies that provide coverage at various levels for environmental costs. Ashland is currently involved in negotiations concerning the amount of insurance coverage for environmental costs under some of these policies. In addition, various costs of remediation efforts related to underground storage tanks are eligible for reimbursement from state administered funds. Probable recoveries related to certain costs incurred or expected to be incurred in future years are included in other noncurrent assets.

In addition, Ashland and its subsidiaries are parties to numerous claims and lawsuits (some of which are for substantial amounts) with respect to product liability and commercial and other matters. While these claims and actions are being contested, the outcome of individual matters is not predictable with assurance. Although any actual liability is not determinable as of September 30, 1994, Ashland believes that any liability resulting from these matters involving Ashland and its subsidiaries, after taking into consideration Ashland's insurance coverages and amounts provided for, should not have a material adverse effect on Ashland's consolidated financial position.

FIVE YEAR SELECTED FINANCIAL INFORMATION
ASHLAND OIL, INC. AND SUBSIDIARIES
YEARS ENDED SEPTEMBER 30

	1994	1993	1992	1991	1990
(IN MILLIONS EXCEPT PER SHARE DATA)					
SUMMARY OF OPERATIONS					
Revenues					
Sales and operating revenues (including excise taxes).....	\$10,334	\$10,199	\$10,211	\$ 9,867	\$ 9,473
Other.....	48	57	40	56	54
Costs and expenses					
Cost of sales and operating expenses.....	(7,742)	(7,951)	(8,210)	(7,725)	(7,401)
Excise taxes on products and merchandise.....	(877)	(645)	(659)	(620)	(497)
Selling, general and administrative expenses.....	(1,021)	(993)	(1,023)	(926)	(949)
Depreciation, depletion and amortization.....	(295)	(293)	(290)	(265)	(256)
General corporate expenses.....	(80)	(77)	(132)	(93)	(93)
Operating income (loss).....	367	297	(63)	294	331
Other income (expense)					
Interest expense (net of interest income).....	(117)	(123)	(128)	(115)	(118)
Equity income.....	22	26	33	14	50
Income (loss) before income taxes and the cumulative effect of					
accounting changes.....					
Income taxes (credit).....	272	200	(158)	193	263
Income (loss) before the cumulative effect of accounting changes.....	75	58	(90)	48	81
Cumulative effect of accounting changes.....	197	142	(68)	145	182
Net income (loss).....	--	--	(268)	--	--
	\$ 197	\$ 142	\$ (336)	\$ 145	\$ 182
BALANCE SHEET INFORMATION					
Working capital					
Current assets.....	\$ 2,171	\$ 1,973	\$ 2,110	\$ 2,119	\$ 2,143
Current liabilities.....	1,688	1,619	2,046	1,823	1,805
	\$ 483	\$ 354	\$ 64	\$ 296	\$ 338
Total assets.....	\$ 5,815	\$ 5,552	\$ 5,668	\$ 5,449	\$ 5,118
Capitalization					
Debt due within one year.....	\$ 133	\$ 159	\$ 306	\$ 195	\$ 170
Long-term debt (less current portion).....	1,391	1,399	1,444	1,337	1,235
Deferred income taxes.....	30	44	59	312	324
Convertible preferred stock.....	293	293	--	--	--
Common stockholders' equity.....	1,302	1,162	1,086	1,444	1,280
	\$ 3,149	\$ 3,057	\$ 2,895	\$ 3,288	\$ 3,009
CASH FLOW INFORMATION					
Cash flows from operations.....	\$ 454	\$ 250	\$ 398	\$ 473	\$ 371
Additions to property, plant and equipment.....	376	432	504	445	446
Dividends.....	79	66	60	58	58
COMMON STOCK INFORMATION					
Primary earnings (loss) per share.....	\$ 2.94	\$ 2.26	\$ (1.18)(1)	\$ 2.56	\$ 3.27
Dividends per share.....	1.00	1.00	1.00	1.00	1.00

(1) Excludes the cumulative effect of accounting changes of \$(4.57) per share.

FIVE YEAR INFORMATION BY INDUSTRY SEGMENT
ASHLAND OIL, INC. AND SUBSIDIARIES
YEARS ENDED SEPTEMBER 30

	1994	1993	1992	1991	1990
	(IN MILLIONS)				
SALES AND OPERATING REVENUES					
Petroleum.....	\$ 4,666	\$ 4,752	\$ 4,848	\$ 4,877	\$ 4,169
SuperAmerica.....	1,706	1,785	1,888	1,948	1,747
Valvoline.....	1,000	938	900	793	701
Chemical.....	2,885	2,586	2,488	2,285	2,245
Construction.....	1,101	1,116	1,043	1,019	1,083
Engineering.....	--	--	--	--	348
Exploration.....	199	247	262	323	399
Intersegment sales (1)					
Petroleum.....	(1,193)	(1,195)	(1,182)	(1,335)	(1,177)
Other.....	(30)	(30)	(36)	(43)	(42)
	\$10,334	\$10,199	\$10,211	\$ 9,867	\$ 9,473
OPERATING INCOME (LOSS)					
Petroleum.....	\$ 113	\$ 56(2)	\$ (125)	\$ 138	\$ 211
SuperAmerica.....	59	65	1	30	41
Valvoline.....	52	56	50	39	37
Total Refining and Marketing Group.....	224	177	(74)	207	289
Chemical.....	125	108	81	98	70
Construction.....	70	53	45	41	53
Engineering.....	--	--	--	--	(28)(3)
Exploration.....	28	36	17	41	40
General corporate expenses.....	(80)(4)	(77)	(132)	(93)	(93)
	\$ 367	\$ 297	\$ (63)(5)	\$ 294	\$ 331
IDENTIFIABLE ASSETS					
Petroleum.....	\$ 2,259	\$ 2,240	\$ 2,296	\$ 2,274	\$ 1,862
SuperAmerica.....	398	364	446	437	443
Valvoline.....	532	430	402	377	375
Chemical.....	1,122	958	999	834	856
Construction.....	404	440	437	434	514
Exploration.....	374	375	361	337	324
Coal investments.....	208	196	190	231	274
Corporate (6).....	518	549	537	525	470
	\$ 5,815	\$ 5,552	\$ 5,668	\$ 5,449	\$ 5,118

	1994	1993	1992	1991	1990
(IN MILLIONS)					
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT					
Petroleum.....	\$ 155	\$ 230	\$ 273	\$ 249	\$ 191
SuperAmerica.....	39	25	37	37	67
Valvoline.....	25	21	19	14	27
Chemical.....	61	51	47	41	48
Construction.....	45	43	42	36	46
Engineering.....	--	--	--	--	3
Exploration.....	41	42	67	60	39
Corporate.....	10	20	19	8	25
	\$ 376	\$ 432	\$ 504	\$ 445	\$ 446
DEPRECIATION, DEPLETION AND AMORTIZATION					
Petroleum.....	\$ 134	\$ 127	\$ 125	\$ 103	\$ 93
SuperAmerica.....	27	28	31	31	30
Valvoline.....	19	18	17	16	17
Chemical.....	43	42	43	41	39
Construction.....	40	44	45	48	47
Engineering.....	--	--	--	--	5
Exploration.....	33	34	28	26	25
Corporate.....	12	12	13	14	13
	\$ 308	\$ 305	\$ 302	\$ 279	\$ 269

- (1) Intersegment sales are accounted for at prices which approximate market value.
- (2) Includes a gain of \$15 million on the sale of TPT, an inland waterways barge operation.
- (3) Includes a provision of \$15 million for estimated expenditures to correct problems with certain boiler contracts.
- (4) Includes a net gain of \$11 million related to litigation matters.
- (5) Operating income for 1992 includes charges for unusual items totaling \$208 million consisting of provisions for a voluntary enhanced retirement program (\$31 million); various asset write-downs including properties held for sale and assets of discontinued operations (\$64 million); future environmental cleanup costs (\$41 million); reserves for future costs associated with certain custom boilers built by a former engineering subsidiary and other matters (\$38 million); and the current year effect of the adoption of a new accounting standard for postretirement benefits (\$34 million). The combined effect of all of these items reduced operating income for each of the segments as follows: Petroleum (\$89 million), SuperAmerica (\$28 million), Valvoline (\$2 million), Chemical (\$15 million), Construction (\$9 million), Exploration (\$16 million) and general corporate expenses (\$49 million).
- (6) Includes principally cash, cash equivalents, investments in and advances to unconsolidated affiliates (other than Arch Mineral Corporation and Ashland Coal, Inc.) and investments of captive insurance companies.

SUPPLEMENTAL OIL AND GAS INFORMATION
ASHLAND OIL, INC. AND SUBSIDIARIES
YEARS ENDED SEPTEMBER 30
OIL AND GAS RESERVES, REVENUES AND COSTS

The following tables summarize Ashland's (1) crude oil and natural gas reserves, (2) results of operations from oil and gas producing and marketing activities, (3) costs incurred, both capitalized and expensed, in oil and gas producing activities, and (4) capitalized costs for oil and gas producing activities, along with the related accumulated depreciation, depletion and amortization. U.S. crude oil and natural gas reserves are reported net of royalties and interests owned by others. Foreign crude oil reserves relate to reserves available to Ashland, as producer, under a long-term contract with the Nigerian National Petroleum Corporation. Reserves reported in the table are estimated and are subject to future revisions.

	1994			1993			1992		
	U.S.	FOREIGN	TOTAL	U.S.	FOREIGN	TOTAL	U.S.	FOREIGN	TOTAL
CRUDE OIL RESERVES (millions of barrels)									
Proved developed and undeveloped reserves									
Beginning of year.....	1.4	7.7	9.1	1.6	13.3	14.9	1.7	15.0	16.7
Revisions of previous estimates.....	(.1)	6.7	6.6	.2	2.3	2.5	.2	7.8	8.0
Extensions and discoveries.....	--	--	--	--	--	--	.2	--	.2
Sale of reserves in place.....	(.1)	--	(.1)	--	--	--	(.1)	--	(.1)
Production.....	(.3)	(6.8)	(7.1)	(.4)	(7.9)	(8.3)	(.4)	(9.5)	(9.9)
End of year.....	.9	7.6	8.5	1.4	7.7	9.1	1.6	13.3	14.9
Proved developed reserves									
Beginning of year.....	1.3	7.7	9.0	1.5	13.3	14.8	1.7	15.0	16.7
End of year.....	.9	7.6	8.5	1.3	7.7	9.0	1.5	13.3	14.8
NATURAL GAS RESERVES (billions of cubic feet)									
Proved developed and undeveloped reserves									
Beginning of year.....	455.5		463.9			399.1			
Revisions of previous estimates.....	(98.2)		4.9			19.9			
Extensions and discoveries.....	25.9		19.4			67.2			
Purchase of reserves in place.....	.4		3.5			6.4			
Production.....	(34.4)		(36.2)			(28.7)			
End of year.....	349.2		455.5			463.9			
Proved developed reserves									
Beginning of year.....	352.0		346.5			302.9			
End of year.....	320.5		352.0			346.5			
RESULTS OF OPERATIONS (in millions)									
Revenues									
Sales to third parties.....	\$ 96	\$ 99	\$ 195	\$ 106	\$ 135	\$ 241	\$ 74	\$ 182	\$ 256
Intersegment sales (1).....	4	--	4	6	--	6	6	--	6
	100	99	199	112	135	247	80	182	262
Costs and expenses									
Production (lifting) costs (2).....	(23)	(90)	(113)	(25)	(60)	(85)	(25)	(80)	(105)
Exploration expenses.....	(13)	(1)	(14)	(8)	(10)	(18)	(7)	(3)	(10)
Depreciation, depletion, amortization and valuation provisions.....	(35)	(1)	(36)	(33)	(3)	(36)	(38)	(4)	(42)
Other costs (3).....	(25)	(2)	(27)	(23)	(5)	(28)	(21)	(4)	(25)
Income and foreign exploration taxes.....	7	19	26	--	(44)	(44)	15	(63)	(48)
	\$ 11	\$ 24	\$ 35	\$ 23	\$ 13	\$ 36	\$ 4	\$ 28	\$ 32
COSTS INCURRED (in millions)									
Property acquisition costs									
Proved properties.....	\$ 1	\$ --	\$ 1	\$ 3	\$ --	\$ 3	\$ 9	\$ --	\$ 9
Unproved properties.....	2	--	2	2	--	2	3	3	6
Exploration costs.....	19	1	20	10	10	20	11	6	17
Development costs.....	32	2	34	35	2	37	60	--	60
CAPITALIZED COSTS (in millions)									
Proved properties.....	\$ 494	\$ 392	\$ 886	\$ 467	\$ 391	\$ 858			
Unproved properties.....	45	1	46	47	3	50			
	539	393	932	514	394	908			
Accumulated depreciation, depletion and amortization...	(231)	(392)	(623)	(211)	(391)	(602)			
	\$ 308	\$ 1	\$ 309	\$ 303	\$ 3	\$ 306			

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING
TO OIL AND GAS RESERVES

The following tables summarize discounted future net cash flows and changes in such flows in accordance with Financial Accounting Standards Board Statement No. 69, "Disclosures about Oil and Gas Producing Activities." Under the guidelines of the Statement, estimated future cash flows are determined based on current prices for crude oil and natural gas, estimated production of Ashland's proved crude oil and natural gas reserves, estimated future production and development costs of those reserves based on current costs and economic conditions, and estimated future income and foreign exploration taxes based on taxing arrangements in effect at year-end. Such cash flows are then discounted using the prescribed 10% rate.

Many other assumptions could have been made which may have resulted in significantly different estimates. Ashland does not rely upon these estimates in making investment and operating decisions. Ashland does not represent this discounted future net cash flow to be indicative of future cash flow or the current value of its reserves, nor is it an appropriate value to compare with reported values of other companies with different fiscal year-ends. Gas prices utilized in deriving this discounted future net cash flow are based on conditions that existed at September 30 and are usually different than prices that exist at calendar year-end due to seasonal fluctuations in the natural gas market. Prices can also vary significantly at the same point in time from year to year due to a variety of factors. The average gas price used in the 1994 discounted future net cash flow calculation was based on \$1.48 per million BTU at Henry Hub.

Ashland estimates that using the average NYMEX "12 month strip" futures price of \$1.93 per million BTU as a basis would add 36BCF and \$50 million to the discounted future net cash flow of \$197 million at September 30, 1994. The average gas price used in the 1993 discounted future net cash flow calculation was based on \$2.37 per million BTU at Henry Hub. Using that price as a basis in this year's calculation would add 101BCF and \$102 million to the discounted future net cash flow at September 30, 1994. Therefore, disregarding price, Ashland essentially replaced the value of its production in fiscal 1994.

DISCOUNTED FUTURE NET CASH FLOWS	U.S.	FOREIGN	TOTAL
(IN MILLIONS)			
SEPTEMBER 30, 1994			
Future cash inflows.....	\$ 691	\$ 124	\$ 815
Future production (lifting) costs.....	(315)	(80)	(395)
Future development costs.....	(22)	(9)	(31)
Future income and foreign exploration taxes.....	(17)	(24)	(41)
	337	11	348
Annual 10% discount.....	(140)	(1)	(141)
	\$ 197	\$ 10	\$ 207
SEPTEMBER 30, 1993			
Future cash inflows.....	\$ 1,320	\$ 121	\$ 1,441
Future production (lifting) costs.....	(436)	(101)	(537)
Future development costs.....	(92)	--	(92)
Future income and foreign exploration taxes.....	(166)	(10)	(176)
	626	10	636
Annual 10% discount.....	(318)	(1)	(319)
	\$ 308	\$ 9	\$ 317

CHANGES IN DISCOUNTED FUTURE NET CASH FLOWS	1994			1993			1992		
	U.S.	FOREIGN	TOTAL	U.S.	FOREIGN	TOTAL	U.S.	FOREIGN	TOTAL
(IN MILLIONS)									
Net change due to extensions and discoveries.....	\$ 21	\$ --	\$ 21	\$ 20	\$ --	\$ 20	\$ 39	\$ --	\$ 39
Sales of oil and gas produced -- net of production (lifting) costs.....	(76)	(9)	(85)	(87)	(74)	(161)	(55)	(102)	(157)
Changes in prices.....	(186)	(3)	(189)	(35)	(25)	(60)	121	3	124
Previously estimated development costs incurred.....	24	2	26	38	1	39	45	2	47
Net change due to revisions of previous estimates of reserves.....	(17)	34	17	3	7	10	8	68	76
Purchase (sale) of reserves in place.....	--	--	--	3	--	3	3	--	3
Accretion of 10% discount.....	31	1	32	33	2	35	22	3	25
Other -- net (4).....	33	(11)	22	(16)	1	(15)	(17)	(2)	(19)
Net change in income and foreign exploration taxes.....	59	(13)	46	14	71	85	(48)	6	(42)
	(111)	1	(110)	(27)	(17)	(44)	118	(22)	96

Discounted future net cash flows									
Beginning of year.....	308	9	317	335	26	361	217	48	265
End of year.....	\$ 197	\$ 10	\$ 207	\$308	\$ 9	\$ 317	\$335	\$ 26	\$ 361

-
- (1) Intersegment sales are accounted for at prices which approximate market value.
 - (2) Includes only costs incurred to operate and maintain wells, related equipment and facilities.
 - (3) Includes results of crude oil trading.
 - (4) Includes changes in future production and development costs and changes in the timing of future production.

EXHIBIT 21

LIST OF SUBSIDIARIES

Subsidiaries of Ashland ("AOI") at October 1, 1994 included the companies listed below. Ashland has numerous unconsolidated affiliates, which are primarily accounted for on the equity method, and majority-owned consolidated subsidiaries in addition to the companies listed below. Such affiliates and subsidiaries are not listed below since they would not constitute a significant subsidiary considered in the aggregate as a single entity.

Company -----	Jurisdiction of Incorporation -----	Immediate Parent*
AECOM Technology Corporation	Delaware	ATEC 25%
APAC-Alabama, Inc.	Delaware	AHI
APAC-Arkansas, Inc.	Delaware	AHI
APAC-Carolina, Inc.	Delaware	AHI
APAC-Florida, Inc.	Delaware	AHI
APAC-Georgia, Inc.	Georgia	AHI
APAC Holdings, Inc. ("AHI")	Delaware	AOI
APAC, Inc.	Delaware	AHI
APAC-Kansas, Inc.	Delaware	AHI
APAC-Mississippi, Inc.	Delaware	AHI
APAC-Oklahoma, Inc.	Delaware	AHI
APAC-Tennessee, Inc.	Delaware	AHI
APAC-Texas, Inc.	Delaware	AHI
APAC-Virginia, Inc.	Delaware	AHI
Arch Mineral Corporation	Delaware	AOI 50%
Ashland Chemical Canada Ltd.	Alberta, Canada	AOI
Ashland Coal, Inc.	Delaware	AOI 39%
Ashland Crude Marketing, Inc.	Delaware	AOII
Ashland Crude Trading, Inc.	Delaware	AOI
Ashland Exploration, Inc.	Delaware	AOI
Ashland Foundry International, Inc.	Delaware	AOI
Ashland Nigerian Development Company ("ANDC")	Delaware	AOII
Ashland of Nigeria, Ltd. ("ANL")	Delaware	AOII
Ashland Oil (Nigeria) Company Ultd.	Nigeria	ANL 50%-ANDC 50%
Ashland Overseas Investments, Inc. ("AOII")	Delaware	AOI
Ashland Pipe Line Company ("APL")	Ohio	AOI
Ashland Plastics International, Inc.	Delaware	AOI
Ash Property, Inc.	Ohio	AOI
Ashmont Insurance Company, Inc. ("AIC")	Vermont	AOI
ATEC, Inc. ("ATEC")	Delaware	AOI
Bluegrass Insurance Company Limited	Bermuda	AIC
Bluegrass International Insurance Limited	Bermuda	AIC
Drew Ameroid International Corporation	Liberia	DCC
Drew Chemical Corporation ("DCC")	Delaware	AOI
Iberia Ashland Chemical S. A.	Spain	AOI 70%
Mid-Valley Supply Co.	Kentucky	AOI
Ohio River Pipe Line Company	Delaware	APL
Scurlock Permian Corporation	Kentucky	AOI
Valvoline (Australia) Pty. Ltd.	Australia	VII
Valvoline Canada Ltd.	Ontario, Canada	VII
Valvoline International, Inc. ("VII")	Delaware	AOI

*100% of the voting securities are owned by the immediate parent except as otherwise indicated.

ERNST & YOUNG LLP

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-52125) pertaining to the Ashland Oil, Inc. Deferred Compensation and Stock Incentive Plan for Non-Employee Directors, in the Registration Statement (Form S-8 No. 2-95022) pertaining to the Ashland Oil, Inc. Amended Stock Incentive Plan for Key Employees, in the Registration Statement (Form S-8 No. 33-7501) pertaining to the Ashland Oil, Inc. Employee Thrift Plan, in the Registration Statement (Form S-8 No. 33-26101) pertaining to the Ashland Oil, Inc. Long-Term Incentive Plan, in the Registration Statement (Form S-8 No. 33-55922) pertaining to the Ashland Oil, Inc. 1993 Stock Incentive Plan, in the Registration Statement (Form S-8 No. 33-49907) pertaining to the Ashland Oil, Inc. Leveraged Employee Stock Ownership Plan, and the Registration Statement (Form S-3 No. 33-51095) pertaining to the U.S. \$301,627,000 Ashland Oil, Inc. Medium-Term Notes, Series F, and the related Prospectus, of our report dated November 2, 1994, with respect to the consolidated financial statements and schedules of Ashland Oil, Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended September 30, 1994.

Louisville, Kentucky
December 7, 1994

/s/ Ernst & Young LLP

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned Directors and Officers of ASHLAND OIL, INC., a Kentucky corporation, which is about to file an Annual Report on Form 10-K with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, hereby constitutes and appoints JOHN R. HALL, PAUL W. CHELLGREN, THOMAS L. FEAZELL, JAMES G. STEPHENSON and DAVID L. HAUSRATH, and each of them, his true and lawful attorneys-in-fact and agents, with full power to act without the others to sign and file such Annual Report and the exhibits thereto and any and all other documents in connection therewith with the Securities and Exchange Commission, and to do and perform any and all acts and things requisite and necessary to be done in connection with the foregoing as fully 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, may lawfully do or cause to be done by virtue hereof.

Dated: November 3, 1994

/s/ John R. Hall

John R. Hall, Chairman of the Board of Directors, Chief Executive Officer and Director

/s/ Mannie L. Jackson

Mannie L. Jackson, Director

/s/ Paul W. Chellgren

Paul W. Chellgren, President, Chief Operating Officer and Director

/s/ Patrick F. Noonan

Patrick F. Noonan, Director

/s/ J. Marvin Quin

J. Marvin Quin, Chief Financial Officer and Senior Vice President

/s/ Jane C. Pfeiffer

Jane C. Pfeiffer, Director

/s/ Thomas E. Bolger

Thomas E. Bolger, Director

/s/ Michael D. Rose

Michael D. Rose, Director

/s/ Samuel C. Butler

Samuel C. Butler, Director

/s/ William L. Rouse, Jr.

William L. Rouse, Jr., Director

/s/ Frank C. Carlucci

Frank C. Carlucci, Director

/s/ Robert B. Stobaugh

Robert B. Stobaugh, Director

/s/ James B. Farley

James B. Farley, Director

/s/ James W. Vandever

James W. Vandever, Director

/s/ Edmund B. Fitzgerald

Edmund B. Fitzgerald, Director

EXCERPT FROM
MINUTES OF DIRECTOR'S MEETING
ASHLAND OIL, INC.
November 3, 1994

RESOLVED, that the Corporation's Annual Report to the Securities and Exchange Commission ("SEC") on Form 10-K (the "Form 10-K") in the form previously circulated to the Board in preparation for the meeting be, and it hereby is, approved with such changes as the Chairman of the Board, the President, any Vice President, the Secretary and David L. Hausrath ("Authorized Persons") shall approve, the execution and filing of the Form 10-K with the SEC to be conclusive evidence of such approval; provided, however, that without derogating from the binding effect of the above, it is understood that an Authorized Person shall cause the distribution prior to the filing with the SEC, of a copy of such Form 10-K to the directors in substantially that form which is to be filed with the SEC and that each director's oral concurrence with respect to such form shall be obtained prior to the filing with the SEC;

FURTHER RESOLVED, that the Authorized Persons be, and each of them hereby is, authorized to file with the SEC the Form 10-K and any amendments thereto on Form 10-K/A and/or any other applicable form; and

FURTHER RESOLVED, that the Authorized Persons, be and each of them

hereby is, authorized and directed to take such other action as may be necessary and proper to implement the foregoing resolutions.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
 EXTRACTED FROM ASHLAND OIL, INC.'S ANNUAL REPORT TO
 SHAREHOLDERS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,
 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
 SUCH ANNUAL REPORT.

1,000,000

YEAR	
SEP-30-1994	SEP-30-1994
	40
	0
	1,346
	23
	601
	2,171
	5,898
	3,082
	5,815
1,688	
	1,391
	61
0	
	293
	1,241
5,815	
	10,334
10,382	
	8,914
	8,914
	1,101
	11
	117
	250
	75
197	
	0
	0
	0
	197
	2.94
	2.79