SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2000

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

I.R.S. No. 61-0122250
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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 []

At January 31, 2001, there were 69,576,879 shares of Registrant's Common Stock outstanding. One Right to purchase one-thousandth of a share of Series A Participating Cumulative Preferred Stock accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL INFORMATION

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Three months ended December 31	
(In millions except per share data)	2000	1999
REVENUES		
Sales and operating revenues	$ 1,878	$ 1,897
Equity income	121	37
Other income	14	14
	2,013	1,948
COSTS AND EXPENSES		
Cost of sales and operating expenses	1,546	1,537
Selling, general and administrative expenses	265	243
Depreciation, depletion and amortization	58	57
	1,869	1,837
OPERATING INCOME	144	111
Net interest and other financial costs	(46)	(43)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	98	68
Income taxes	(39)	(28)
INCOME FROM CONTINUING OPERATIONS	59	40
Loss from discontinued operations (net of income taxes)	-	(206)
NET INCOME (LOSS)	$ 59	$ (166)

BASIC EARNINGS (LOSS) PER SHARE - Note A		
Income from continuing operations	$ .84	$ .56
Loss from discontinued operations	-	(2.88)
Net income (loss)	$ .84	$ (2.32)
DILUTED EARNINGS (LOSS) PER SHARE - Note A		
Income from continuing operations	$ .84	$ .55
Loss from discontinued operations	-	(2.87)
Net income (loss)	$ .84	$ (2.32)
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	December 31 2000	September 30 2000	December 31 1999
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 108	$ 67	$ 46
Accounts receivable	1,153	1,268	1,274
Allowance for doubtful accounts	(30)	(25)	(24)
Note receivable from Industri Kapital (1)	-	-	285
Inventories - Note A	528	488	522
Deferred income taxes	126	135	99
Other current assets	108	198	124
	1,993	2,131	2,326
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,209	2,295	2,140
Cost in excess of net assets of companies acquired	528	537	503
Investment in Arch Coal - discontinued operations	35	35	178
Other noncurrent assets	377	351	291
	3,149	3,218	3,112
PROPERTY, PLANT AND EQUIPMENT			
Cost	2,898	2,879	2,902
Accumulated depreciation, depletion and amortization	(1,496)	(1,457)	(1,390)
	1,402	1,422	1,512
	$ 6,544	$ 6,771	$ 6,950
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 268	$ 327	$ 544
Trade and other payables	1,114	1,330	1,033
Income taxes	181	42	87
	1,563	1,699	1,664
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,874	1,899	2,198
Employee benefit obligations	386	383	421
Deferred income taxes	174	288	139
Reserves of captive insurance companies	202	179	179
Other long-term liabilities and deferred credits	352	358	377
Commitments and contingencies - Note D			
	2,988	3,107	3,314
COMMON STOCKHOLDERS' EQUITY	1,993	1,965	1,972
	$ 6,544	$ 6,771	$ 6,950

(1) This note, received in connection with the acquisition of the U.S. construction operations of Superfos, was redeemed in the March 2000 quarter.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY

(In millions)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT OCTOBER 1, 1999	$ 72	$ 464	$ 1,710	$ (46)	$ 2,200
Total comprehensive income (loss) (1)			(166)	(6)	(172)
Cash dividends			(19)		(19)
Issued common stock for acquisitions of other companies		1			1
Repurchase of common stock	(1)	(37)			(38)
BALANCE AT DECEMBER 31, 1999	$ 71	$ 428	$ 1,525	$ (52)	$ 1,972
BALANCE AT OCTOBER 1, 2000	$ 70	$ 388	$ 1,579	$ (72)	$ 1,965
Total comprehensive income (1)			59	(8)	51
Cash dividends			(19)		(19)
Issued common stock under stock incentive plans		5			5
Repurchase of common stock		(9)			(9)
BALANCE AT DECEMBER 31, 2000	$ 70	$ 384	$ 1,619	$ (80)	$ 1,993

(1) Reconciliations of net income (loss) to total comprehensive income (loss) follow.

(In millions)	Three months ended December 31 2000	1999
Net income (loss)	$ 59	$ (166)
Unrealized translation adjustments	(10)	(10)
Related tax benefit	2	4
Total comprehensive income (loss)	$ 51	$ (172)

At December 31, 2000, the accumulated other comprehensive loss was comprised of net unrealized translation losses of $72 million and a minimum pension liability of $8 million.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Three months ended December 31 2000	1999
CASH FLOWS FROM CONTINUING OPERATIONS		
Income from continuing operations	$ 59	$ 40
Expense (income) not affecting cash		
Depreciation, depletion and amortization	58	57
Deferred income taxes	13	(7)
Equity income from affiliates	(121)	(37)
Distributions from equity affiliates	209	68
Change in operating assets and liabilities (1)	(31)	(132)
	187	(11)
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	-	636
Proceeds from issuance of common stock	2	-
Repayment of long-term debt	(38)	(40)
Repurchase of common stock	(9)	(38)
Increase (decrease) in short-term debt	(46)	296
Dividends paid	(19)	(19)
	(110)	835
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(40)	(65)
Purchase of operations - net of cash acquired (2)	(8)	(825)
Proceeds from sale of operations	9	-
Other - net	3	-
	(36)	(890)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	41	(66)
Cash provided by discontinued operations	-	2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41	(64)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	67	110
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 108	$ 46

(1) Excludes changes resulting from operations acquired or sold.
(2) Amounts exclude acquisitions through the issuance of common stock of $1 million in 1999.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. Although such statements are subject to any year-end audit adjustments which may be necessary, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2000. Results of operations for the period ended December 31, 2000, are not necessarily indicative of results to be expected for the year ending September 30, 2001.

INVENTORIES

(In millions)	December 31 2000	September 30 2000	December 31 1999
Chemicals and plastics	$ 411	$ 375	$ 394
Construction materials	76	80	73
Petroleum products	65	52	54
Other products	42	45	52
Supplies	7	7	6
Excess of replacement costs over LIFO carrying values	(73)	(71)	(57)
	$ 528	$ 488	$ 522

EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (EPS) from continuing operations.

(In millions except per share data)	Three months ended December 31 2000	Three months ended December 31 1999
NUMERATOR		
Numerator for basic and diluted EPS - Income from continuing operations	$ 59	$ 40
DENOMINATOR		
Denominator for basic EPS - Weighted average common shares outstanding	70	72
Common shares issuable upon exercise of stock options	-	-
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	70	72
BASIC EPS FROM CONTINUING OPERATIONS	$ .84	$ .56
DILUTED EPS FROM CONTINUING OPERATIONS	$ .84	$ .55

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE INSTRUMENTS

In June 1998, the Financial Accounting Standards Board issued Statement No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities." FAS 133 was subsequently amended by two other statements and is required to be adopted in years beginning after June 15, 2000. Because of Ashland's minimal use of derivatives, FAS 133 did not have a significant effect on Ashland's financial position or results of operations when it was adopted on October 1, 2000. MAP's adoption of FAS 133 on January 1, 2001, resulted in a $20 million pretax loss from the cumulative effect of this accounting change. Ashland's after tax share of the loss amounts to $5 million and will be recorded in the March 2001 quarter.

NOTE B - UNUSUAL ITEMS

DISCONTINUED OPERATIONS

In March 2000, Ashland distributed 17.4 million shares of its Arch Coal Common Stock to Ashland's shareholders. Ashland intends to dispose of its remaining 4.7 million Arch Coal shares in a transaction or transactions that qualify as a sale for federal income tax purposes by March 2001. Arch Coal has filed a registration statement for the sale of these shares by Ashland in an underwritten public offering.

Results from Arch Coal are shown as discontinued operations. Components of amounts reflected in income are presented in the following table. Results for the three months ended December 31, 1999, included a net loss of $203 million related to asset impairment and restructuring costs, largely due to the write-down of assets at Arch's Dal-Tex and Hobet 21 mining operations and certain coal reserves in central Appalachia.

(In millions)	Three months ended December 31 2000	Three months ended December 31 1999
Revenues - Equity loss	$ -	$ (237)
Costs and expenses - SG&A expenses	-	(1)
Operating loss	-	(238)
Income tax benefit	-	32
Loss from discontinued operations	$ -	$ (206)

The following tables show the effects of discontinued operations on Ashland's net income and diluted earnings per share for the periods ended December 31, 2000, and 1999.

(In millions except per share data)	Three months ended December 31 2000	Three months ended December 31 1999
Net income before unusual items	$ 59	$ 40
Loss from discontinued operations	-	(206)
Net income (loss) as reported	$ 59	$ (166)
Diluted earnings per share before unusual items	$ .84	$ .55
Impact of unusual items	-	(2.87)
Diluted earnings (loss) per share as reported	$ .84	$ (2.32)

NOTE C - UNCONSOLIDATED AFFILIATES

Ashland is required by Rule 3-09 of Regulation S-X to file separate financial statements for its significant unconsolidated affiliate, Marathon Ashland Petroleum LLC (MAP). Ashland's ownership position in Arch Coal, Inc. met those same filing requirements prior to the spin-off described in Note B. Financial statements for MAP and Arch Coal for the year ended December 31, 1999, were filed on a Form 10-K/A on March 21, 2000. Financial statements for MAP for the year ended December 31, 2000, will be filed by means of a Form 10-K/A on or before March 31, 2001. Unaudited income statement information for MAP is shown below.

MAP is organized as a limited liability company that has elected to be taxed as a partnership. Therefore, the parents are responsible for income taxes applicable to their share of MAP's taxable income. The net income reflected below for MAP does not include any provision for income taxes which will be incurred by its parents.

	Three months ended December 31	
(In millions)	2000	1999
Sales and operating revenues	$ 7,363	$ 5,924
Income from operations	327	106
Net income	329	111
Ashland's equity income	119	36

NOTE D - LITIGATION, CLAIMS AND CONTINGENCIES

Ashland is subject to various federal, state and local environmental laws and regulations that require remediation efforts at multiple locations, including current operating facilities, operating facilities conveyed to MAP, previously owned or operated facilities, and Superfund or other waste sites. For information regarding environmental reserves, see the "Miscellaneous - Environmental Matters" section of Ashland's Form 10-K.

Environmental reserves are subject to numerous inherent uncertainties that 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. Reserves are regularly adjusted as environmental assessments and remediation efforts proceed.

In addition to these matters, Ashland and its subsidiaries are parties to numerous other claims and lawsuits, some of which are for substantial amounts. While these actions are being contested, the outcome of individual matters is not predictable with assurance.

Ashland does not believe that any liability resulting from any of the above matters, after taking into consideration its insurance coverage and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. However, such matters could have a material effect on results of operations in a particular quarter or fiscal year as they develop or as new issues are identified.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(In millions)	Three months ended December 31 2000	1999
REVENUES		
Sales and operating revenues		
APAC	$ 621	$ 605
Ashland Distribution	731	768
Ashland Specialty Chemical	311	314
Valvoline	241	239
Intersegment sales		
Ashland Distribution	(8)	(10)
Ashland Specialty Chemical	(18)	(19)
	1,878	1,897
Equity income		
Ashland Specialty Chemical	1	1
Valvoline	1	-
Refining and Marketing	119	36
	121	37
Other income		
APAC	2	2
Ashland Distribution	2	2
Ashland Specialty Chemical	7	6
Valvoline	1	1
Refining and Marketing	-	2
Corporate	2	1
	14	14
	$ 2,013	$ 1,948
OPERATING INCOME		
APAC	$ 13	$ 38
Ashland Distribution	10	13
Ashland Specialty Chemical	18	29
Valvoline	10	11
Refining and Marketing (1)	109	33
Corporate	(16)	(13)
	$ 144	$ 111

(1) Includes Ashland's equity income from MAP, amortization of Ashland's excess investment in MAP, and certain retained refining and marketing activities.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

	Three months ended December 31	
	2000	1999
OPERATING INFORMATION		
APAC		
Construction backlog at December 31 (millions)	$ 1,600	$ 1,210
Hot mix asphalt production (million tons)	8.5	8.8
Aggregate production (million tons)	5.9	6.4
Ready-mix concrete production (thousand cubic yards)	523	597
Ashland Distribution (1)		
Sales per shipping day (millions)	$ 12.0	$ 12.6
Gross profit as a percent of sales	15.6%	15.6%
Ashland Specialty Chemical (1)		
Sales per shipping day (millions)	$ 5.1	$ 5.1
Gross profit as a percent of sales	34.0%	36.0%
Valvoline lubricant sales (thousand barrels per day)	10.5	11.3
Refining and Marketing (2)		
Refined products sold (thousand barrels per day)	1,308	1,320
Crude oil refined (thousand barrels per day)	857	824
Merchandise sales (millions)	$ 551	$ 543

(1) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses, less depreciation and amortization relative to manufacturing assets.
(2) Amounts represent 100 percent of the volumes of MAP, in which Ashland owns a 38 percent interest.

RESULTS OF OPERATIONS

Ashland's net income was $59 million for the quarter ended December 31, 2000, compared to a net loss of $166 million for the quarter ended December 31, 1999. Excluding the $206 million loss from discontinued operations in the 1999 period described in Note B to the Condensed Consolidated Financial Statements, net income amounted to $59 million in the 2000 period, compared to $40 million in the 1999 period. Operating income of $144 million was a record for the December quarter and a 30% improvement over the prior year period. The increase reflected improved refining margins and a positive in-transit crude oil inventory adjustment for Marathon Ashland Petroleum (MAP), which more than offset the impact of the early arrival of winter and a softer economy on Ashland's wholly owned businesses.

APAC

Operating income from APAC's construction operations declined to $13 million for the December 2000 quarter, compared to $38 million in the December 1999 quarter, reflecting the adverse impact of unusually severe weather in November and December 2000. In many markets weather patterns prevented APAC crews from being on the job and limited demand for aggregates and hot mix asphalt. Net construction revenue (total revenue less subcontract costs) declined 6% from the prior year period, while production of hot mix asphalt declined 3%, aggregate production declined 8%, and ready-mix concrete production declined 12%. Earnings from the asphalt plants were also adversely affected as increased costs for liquid asphalt, fuel and power were not fully recovered in APAC's hot mix asphalt prices. The construction backlog at December 31, 2000, amounted to a record $1.6 billion, a 32% improvement over the prior year, including a recently awarded $236 million contract in the Richmond, Virginia area. The backlog is healthy in terms of volumes and margins and includes a good mix of public and private projects.

ASHLAND DISTRIBUTION

Ashland Distribution reported operating income of $10 million for the quarter ended December 31, 2000, a 23% decline from the $13 million reported for last year's December quarter. Factors contributing to the performance include lower demand-driven volumes and reduced prices in North American commodity product lines, impacting the thermoplastics and fiber-reinforced plastics businesses. On a positive note, chemical distribution profits improved, as costs continued to be taken out of the business. In addition, European thermoplastics distribution improved reflecting the stronger European market, and fine ingredients and environmental services businesses improved, as both are less commodity-sensitive.

ASHLAND SPECIALTY CHEMICAL

For the quarter ended December 31, 2000, Ashland Specialty Chemical reported operating income of $18 million, a 38% decline from the $29 million reported for the December 1999 quarter. Results from three of Ashland's specialty chemical businesses reflect the impact of a weaker U.S. economy. Soft demand in transportation and construction markets resulted in unit volume declines for unsaturated polyester resins, adhesives and foundry chemicals. Margins were down in these businesses due not only to reduced demand, but also to higher costs for raw materials. Petrochemical margins also suffered from significantly higher butane costs. However, earnings from electronic chemicals, water treatment and marine chemicals improved, as these businesses are generally not as sensitive to weakness in the durable goods sector.

VALVOLINE

For the quarter ended December 31, 2000, Valvoline reported operating income of $10 million, compared to $11 million for the December 1999 quarter. The slight decline was primarily due to continued margin compression in the antifreeze business and minimal sales of R-12 automotive refrigerant. R-12 sales are typically low in the December quarter. Profits from the core lubricants business improved while Valvoline Instant Oil Change produced earnings similar to last year.

REFINING AND MARKETING

Operating income from Refining and Marketing, which consists primarily of equity income from MAP, amounted to $109 million for the quarter ended December 31, 2000, compared to $33 million for the quarter ended December 31, 1999. Crude oil prices on the New York Mercantile Exchange declined $4 per barrel during the quarter as a result of stronger worldwide production. The combination of lower crude oil costs and good demand for distillates led to stronger refining margins. MAP's results also reflect a positive in-transit crude oil inventory adjustment, which was generated by the sharp December decline in crude oil prices. Results from retail operations were down as pump prices failed to keep pace with the higher level of wholesale gasoline costs. Merchandise sales were up, but the impact was more than offset by a decline in merchandise margins from the very strong levels in last year's December quarter.

CORPORATE

Corporate expenses amounted to $16 million in the quarter ended December 31, 2000, compared to $13 million for the quarter ended December 31, 1999. The higher level of expenses reflects increases in incentive and deferred compensation costs in the current year period, as well as environmental insurance recoveries included in the prior year period.

NET INTEREST AND OTHER FINANCIAL COSTS

For the quarter ended December 31, 2000, net interest and other financial costs totaled $46 million, compared to $43 million for the December 1999 quarter. Although debt levels are down, net costs are up, as the prior year period included interest income on the note receivable from Industri Kapital, received in connection with the acquisition of the U.S. construction operations of Superfos. In addition, the current year period includes costs associated with the sale of $150 million of receivables under a program initiated in March 2000.

DISCONTINUED OPERATIONS

As described in Note B to the Condensed Consolidated Financial Statements, in March 2000 Ashland distributed to Ashland shareholders the major portion of its common shares of Arch Coal. As a result, the former Arch Coal segment is shown as a discontinued operation, with prior periods restated.

For the three months ended December 31, 1999, Ashland recorded an equity loss of $206 million from its investment in Arch Coal. The loss included $203 million related to asset impairment and restructuring costs, largely due to the write-down of assets at Arch's Dal-Tex and Hobet 21 mining operations and certain coal reserves in central Appalachia.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt of Baa2 from Moody's and BBB from Standard & Poor's. Ashland has two revolving credit agreements providing for up to $425 million in borrowings, neither of which was used during the three months ended December 31, 2000. Under a shelf registration, at December 31, 2000, Ashland could also issue an additional $350 million in debt and equity securities should future opportunities or needs arise. On February 2, 2001, Ashland issued $50 million in medium-term notes under this shelf registration, thereby reducing the remaining capacity to $300 million. Furthermore, Ashland has access to various uncommitted lines of credit and commercial paper markets, under which $199 million of short-term borrowings were outstanding at December 31, 2000. While the revolving credit agreements contain a covenant limiting new borrowings, Ashland could have increased its borrowings (including any borrowings under these agreements) by up to $848 million at December 31, 2000. Additional permissible borrowings are increased or decreased by 150% of any increases or decreases in stockholders' equity.

Cash flows from continuing operations, a major source of Ashland's liquidity, amounted to $187 million for the three months ended December 31, 2000, compared to a deficit of $11 million for the three months ended December 31, 1999. The increase principally reflects increased cash distributions from MAP ($207 million in 2000, compared to $67 million in 1999). In addition, the growth in working capital during the current quarter was much less than in the 1999 period. Ashland's cash flows from continuing operations exceeded its capital requirements for net property additions and dividends by $123 million for the three months ended December 31, 2000, providing additional funds for debt repayment and acquisitions.

Operating working capital (accounts and notes receivable, plus inventories, less trade and other payables) at December 31, 2000, was $537 million, compared to $401 million at September 30, 2000, and $1,024 million at December 31, 1999. Liquid assets (cash, cash equivalents, accounts and notes receivable) amounted to 79% of current liabilities at December 31, 2000, compared to 77% at September 30, 2000, and 95% at December 31, 1999. Ashland's working capital is affected by its use of the LIFO method of inventory valuation, which valued inventories $73 million below their replacement costs at December 31, 2000.

CAPITAL RESOURCES

For the three months ended December 31, 2000, property additions amounted to $40 million, compared to $65 million for the same period last year. Property additions and cash dividends for the remainder of fiscal 2001 are estimated at $200 million and $57 million. At December 31, 2000, Ashland had remaining authority to purchase 2.3 million shares of its common stock in the open market. The number of shares ultimately purchased and the prices Ashland will pay for its stock are subject to periodic review by management. Ashland anticipates meeting its remaining 2001 capital requirements for property additions, dividends and scheduled debt repayments of $44 million from internally generated funds. However, external financing may be necessary to provide funds for acquisitions or purchases of common stock.

At December 31, 2000, Ashland's debt level amounted to $2.1 billion, compared to $2.2 billion at September 30, 2000. Debt as a percent of capital employed amounted to 52% at December 31, 2000, compared to 53% at September 30, 2000. Ashland's debt included $338 million of floating-rate obligations, including $199 million of short-term borrowings and $139 million of long-term debt, at December 31, 2000.

CAPITAL RESOURCES (CONTINUED)

In addition, Ashland's costs under its sale of receivables program and various operating leases are based on the floating-rate interest costs on $255 million of third-party debt underlying those transactions. As a result, Ashland was exposed to fluctuations in short-term interest rates on $593 million of debt obligations at December 31, 2000.

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 trends toward greater environmental awareness and ever increasing regulations, Ashland believes that expenditures for environmental compliance will continue to have a significant effect on its businesses. Although it cannot accurately predict how such trends will affect future operations and earnings, Ashland believes the nature and significance of its ongoing compliance costs will be comparable to those of its competitors. For information on certain specific environmental proceedings and investigations, see the "Legal Proceedings" section of this Form 10-Q. For information regarding environmental reserves, see the "Miscellaneous - Environmental Matters" section of Ashland's Form 10-K.

Environmental reserves are subject to numerous inherent uncertainties that 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. Reserves are regularly adjusted as environmental assessments and remediation efforts proceed.

Ashland does not believe that any liability resulting from environmental matters, after taking into consideration its insurance coverage and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. However, such matters could have a material effect on results of operations in a particular quarter or fiscal year as they develop or as new issues are identified.

OUTLOOK

Looking ahead to the remainder of fiscal 2001, supply and demand fundamentals for Midwest petroleum markets, as well as forward 3-2-1 crack spreads on the New York Mercantile Exchange, suggest a strong performance for Refining and Marketing. The outlook for Ashland's wholly owned businesses is mixed. Certain businesses are expected to perform well, such as Valvoline, electronic chemicals and also APAC, provided normal spring and summer weather patterns prevail. At this point, total operating income from wholly owned businesses is expected to be roughly similar to the fiscal 2000 total. However, if the durable goods segment of the economy, which affects certain parts of Ashland Specialty Chemical and Ashland Distribution, does not recover in the second half of Ashland's fiscal year, combined operating income from wholly owned businesses is more likely to trail that of last year. Overall, Ashland is optimistic that fiscal 2001 will be a good year, assuming current trends in petroleum markets continue.

OUTLOOK (continued)

Ashland's sales and operating revenues are normally subject to seasonal variations. Although APAC tends to enjoy a relatively long construction season, most of its operating income is generated during the construction period of May to October. In addition, MAP benefits from increased demand for gasoline during the summer driving season, higher demand for distillate during the winter heating season and increased demand for asphalt from the road paving industry during the construction season.

CONVERSION TO THE EURO

On January 1, 1999, certain member countries of the European Economic and Monetary Union (EMU) established fixed conversion rates between their existing currencies and the EMU's common currency, the Euro. Entities in the participating countries can conduct their business operations in either their existing currencies or the Euro until December 31, 2001. After that date, all non-cash transactions will be conducted in Euros and circulation of Euro notes and coins for cash transactions will commence. National notes and coins will be withdrawn no later than June 30, 2002.

Ashland conducts business in most of the participating countries and is addressing the issues associated with the Euro. The more important issues include converting information technology systems and processing accounting and tax records. Based on the progress to date, Ashland believes that the use of the Euro will not have a significant impact on the manner in which it does business and processes its accounting records. Accordingly, the use of the Euro is not expected to have a material effect on Ashland's consolidated financial position, results of operations, cash flows or liquidity.

FORWARD LOOKING STATEMENTS

Management's Discussion and Analysis (MD&A) contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to various information in the Capital Resources, Outlook and Conversion to the Euro sections of this MD&A. Estimates as to operating performance and earnings are based upon a number of assumptions, including those mentioned in MD&A. Such estimates are also based upon internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, weather, operating efficiencies and economic conditions, such as prices, supply and demand and cost of raw materials. Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected in MD&A will be achieved. This forward-looking information may prove to be inaccurate and actual results may differ significantly from those anticipated if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized or if other unexpected conditions or events occur. Other factors and risks affecting Ashland are contained in Risks and Uncertainties in Note A to the Consolidated Financial Statements in Ashland's 2000 Annual Report and in Ashland's Form 10-K for the fiscal year ended September 30, 2000.

ITEM 1. LEGAL PROCEEDINGS

Environmental Proceedings - (1) As of December 31, 2000, Ashland had been identified as a "potentially responsible party" ("PRP") under Superfund or similar state laws for potential joint and several liability for clean-up costs in connection with alleged releases of hazardous substances associated with 88 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the EPA or a state agency, in which Ashland is typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site clean-up and administrative oversight, and/or long-term monitoring of environmental conditions at the sites. Ashland carefully monitors the investigatory and remedial activities 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 its insurance coverage and established financial reserves, will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity. However, such matters could have a material effect on Ashland's results of operations in a particular quarter or fiscal year as they develop or as new issues are identified. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing the likelihood that costs will be incurred and Ashland's ability to reasonably estimate future costs.

(2) Pursuant to a 1990 Agreed Order with the Commonwealth of Kentucky's Natural Resources and Environmental Protection Cabinet ("NREPC"), Ashland has conducted source investigation and remedial activities related to hydrocarbon contamination of the groundwater beneath the Catlettsburg, Kentucky refinery, operated since 1998 by a wholly owned subsidiary of Marathon Ashland Petroleum LLC ("MAP"). In connection with the formation of MAP, Ashland agreed to retain responsibility for this matter. In 1999, Ashland and the NREPC initiated negotiations for a new Agreed Order that identified future investigative efforts and established timetables for remedial activities. This Order, which became effective on December 4, 2000 and rescinded the 1990 Agreed Order, included a civil penalty of $900,000, reimbursement of state oversight costs and a remedial action project. The settlement will have no material adverse effect on Ashland's consolidated financial position, cash flow or liquidity.

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

(a) Ashland's Annual Meeting of Shareholders was held on January 25, 2001 at the Metropolitan Club, 50 E. RiverCenter Boulevard, Covington, Kentucky at 10:30 a.m.

(b) Ashland's shareholders at said meeting elected four directors (Samuel C. Butler, Ernest H. Drew, Mannie L. Jackson and Theodore M. Solso) to serve a three-year term and one director (Ralph E. Gomory) to serve a two-year term.

	Votes	
	Affirmative	Withheld
Samuel C. Butler	60,175,428	1,783,864
Ernest H. Drew	60,924,049	1,035,243
Mannie L. Jackson	60,844,863	1,114,429
Theodore M. Solso	60,909,128	1,050,164
Ralph E. Gomory	60,809,029	1,150,263

Directors who continued in office: Frank C. Carlucci, James B. Farley, Bernadine P. Healy, W. L. Rouse, Jr., Paul W. Chellgren, Patrick F. Noonan and Jane C. Pfeiffer.

(c) Ashland's shareholders at said meeting ratified the appointment of Ernst & Young LLP as independent auditors for fiscal year 2001 by a vote of 61,168,070 affirmative, to 484,455 negative and 306,767 abstention votes.

(d) Ashland's shareholders at said meeting approved the Amended and Restated Ashland Inc. Incentive Plan by a vote of 49,724,967 affirmative, to 11,530,314 negative and 704,011 abstention votes.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Amended and Restated Ashland Inc. Incentive Plan.

10.2 Tenth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees.

12 Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the quarter ended December 31, 2000.

SIGNATURES

Pursuant to the requirements 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 Inc.

(Registrant)

Date: February 13, 2001

/s/ Kenneth L. Aulen

Kenneth L. Aulen
Administrative Vice President and Controller
(Chief Accounting Officer)

Date: February 13, 2001

/s/ David L. Hausrath

David L. Hausrath
Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
10.1	Amended and Restated Ashland Inc. Incentive Plan
10.2	Tenth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees
12	Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.

AMENDED AND RESTATED
ASHLAND INC. INCENTIVE PLAN
(As amended January 24, 2001)

SECTION 1. PURPOSE

The purpose of the Ashland Inc. Incentive Plan is to promote the interests of Ashland Inc. and its shareholders by providing incentives to its directors, officers and employees. Accordingly, the Company may grant to selected officers and employees Option Awards, Stock Appreciation Rights Awards, Restricted Stock Awards, Incentive Awards, Performance Unit Awards and Merit Awards in an effort to attract and retain in its employ qualified individuals and to provide such individuals with incentives to continue service with the Company, devote their best efforts to the Company and improve the Company's economic performance, thus enhancing the value of the Company for the benefit of shareholders. This 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 an automatic Restricted Stock Award and with discretionary Option Awards.

SECTION 2. DEFINITIONS

(A) "Agreement" shall mean a written agreement setting forth the terms of an Award, to be entered into at the Company's discretion.

(B) "Attestation" means the delivery to the Company of a completed attestation form prescribed by the Company setting forth the whole shares of Common Stock owned by the Recipient which the Recipient wishes to utilize to pay the Exercise Price. The Common Stock listed on the attestation form must have been owned by the Recipient six months or longer, and not have been used to effect an Option exercise within the preceding six months, unless the Committees specifically provide otherwise.

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

(D) "Beneficiary" shall mean the person, persons, trust or trusts designated by a Recipient 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 a Recipient's death.

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

(F) "Cashless Exercise" shall mean the procedure by which a broker provides the funds to a Recipient to effect an Option exercise. At the direction of the Recipient, the broker will either: (i) sell all of the shares received when the Option is exercised and pay the Recipient the proceeds of the sale (minus the Exercise Price, withholding taxes and any fees due to the broker); or (ii) sell enough of the shares received upon exercise of the Option to cover the Exercise Price, withholding taxes and any fees due the broker and deliver to the Recipient (either directly or through the Company) a stock certificate for the remaining shares.

(G) "Change in Control" shall be deemed to occur (1) upon approval of the shareholders of the Company (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of the Company in which the Company 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 the Company, or (C) adoption of any plan or proposal for the liquidation or dissolution of the Company, (2) when any person (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than the Company or any Subsidiary or employee benefit plan or trust maintained by the Company, shall become the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of the Company's Common Stock outstanding at the time, without the 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 the Company'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.

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

(I) "Committees" shall refer to the P&C Committee as it relates to Awards to Participants and to the G&N Committee as it relates to Awards to Outside Directors.

(J) "Common Stock" shall mean the Common Stock of the Company ($1.00 par value), subject to adjustment pursuant to Section 15 hereof.

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

(L) "Disability" shall mean, (i) in the case of a Participant, he or she becomes unable to perform the functions required by his or her regular job due to physical or mental illness and, in connection with the grant of an Incentive Stock Option shall be disabled if he or she falls within the meaning of that term as provided in Section 22(e)(3) of the Code and (ii) in the case of an Outside Director, when he or she is unable to attend to his or her duties and responsibilities as a member of the Board because of incapacity due to physical or mental illness.

(M) "Exercise Price" shall mean, with respect to each share of Common Stock subject to an Option, the price fixed by the Committees 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.

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

(O) "Fair Market Value" shall mean the price of the Common Stock as reported on the Composite Tape of the New York Stock Exchange on the date and at the time selected by the Committees or as otherwise provided in this Plan.

(P) "G&N Committee" shall mean the Governance and Nominating Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions, or its designee.

(Q) "Incentive Award" shall mean an Award made pursuant to Section 7 hereof, the payment of which is contingent upon the achievement of the Performance Goals for the particular Performance Period.

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

(S) "ISO Award" shall mean an Award of an Incentive Stock Option pursuant to Section 10 hereof.

(T) "Merit Award" shall mean an Award of Common Stock issued pursuant to Section 9 hereof.

(U) "Non-Employee Director" shall mean a non-employee director within the meaning of applicable regulatory requirements, including those promulgated under Section 16 of the Exchange Act.

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

(W) "Notice of Grant" shall mean a written notice setting forth the terms of an Option or SAR Award, to be entered into at the Company's discretion.

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

(Y) "Option Award" shall mean an Award of an Option pursuant to Section 10 hereof.

(Z) "Outside Director" shall mean a director of the Company who is not also an employee of the Company as selected by the G&N Committee to receive an Award under this Plan.

(AA) "P&C 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 a Non-Employee Director and an outside director as defined in the regulations issued under Section 162(m) of the Code, or its designee.

(BB) "Participant" shall mean a regular, full-time or part-time employee of the Company as selected by the P&C Committee to receive an Award under this Plan.

(CC) "Performance Goals" shall mean performance goals as may be established in writing by the P&C Committee which may be based on earnings, stock price, return on equity, return on investment, total return to shareholders, economic profit, debt rating or achievement of business, financial or operational goals. Such goals may be absolute in their terms or measured against or in relation to other companies comparably or otherwise situated. Such performance goals may be particular to a Participant or the division or other unit in which the Participant works and/or may be based on the performance of the Company generally.

(DD) "Performance Period" shall mean the period designated by the P&C Committee during which the performance objectives shall be measured.

(EE) "Performance Unit Award" shall mean an Award made pursuant to Section 8 hereof, the payment of which is contingent upon the achievement of the Performance Goals for the particular Performance Period.

(FF) "Personal Representative" shall mean the person or persons who, upon the Disability or incompetence of a Recipient, shall have acquired on behalf of the Recipient by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

(GG) "Plan" shall mean this Ashland Inc. Incentive Plan, as amended and restated.

(HH) "Recipients" shall mean a Participant or an Outside Director, as appropriate.

(II) "Restricted Period" shall mean the period designated during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered, which period in the case of Participants shall not be less than one year from the date of grant (unless otherwise directed by the P&C Committee), and in the case of Outside Directors is the period set forth in Section 6(B) hereof.

(JJ) "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, if any.

(KK) "Restricted Stock Award" shall mean an Award of Restricted Stock pursuant to Section 6 hereof.

(LL) "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.

(MM) "Retirement" shall mean, (a) in the case of a Participant, retirement from the employ of the Company at any time as described in the Ashland Inc. and Affiliates Pension Plan or in any successor pension plan, as from time to time in effect, and (b) in the case of an Outside Director, retirement from the Board at age 72 or at any other age as the Board may from time to time determine.

(NN) "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. A SAR may only be granted concurrently with the grant of the related Option. A 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 this Plan.

(OO) "Stock Appreciation Right Award" or "SAR Award" shall mean an Award of a Stock Appreciation Right pursuant to Section 11 hereof.

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

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

SECTION 3. STOCK SUBJECT TO THIS PLAN

There will be reserved for issuance under this Plan an aggregate of 4,000,000 shares of Common Stock, par value $1.00 per share; provided, however, that of such shares only 1,000,000 shares in the aggregate shall be available for Restricted Stock Awards, Merit Awards, ISO Awards and Performance Unit Awards. Such shares shall be authorized but unissued shares of Common Stock. If any Award under this Plan shall expire or terminate for any reason without having been earned or vested in full, or if any Award shall be forfeited or deferred, the shares subject to the unearned, forfeited or deferred portion of such Award shall again be available for the purposes of this Plan. No Participant shall be granted more than a total of 250,000 Option or SAR Awards annually and no Outside Director shall be granted more than a total of 10,000 Option or SAR Awards annually.

SECTION 4. ADMINISTRATION

The P&C Committee shall have the exclusive authority to administer this Plan for Participants. The G&N Committee shall have the exclusive authority to administer this Plan for Outside Directors.

In addition to any implied powers and duties that may be needed to carry out the provisions hereof, the Committees, acting individually, shall have all the powers vested in them by the terms hereof, including exclusive authority to select the Recipients, to determine the type, size and terms of the Awards to be made to each Recipient, to determine the time when Awards will be granted, and to prescribe the form of the Agreement or Notice of Grant embodying Awards made under this Plan. The Committees shall be authorized to interpret this Plan and the Awards granted under this Plan, to establish, amend and rescind any rules and regulations relating to this Plan, to make any other determinations which they believe necessary or advisable for the administration hereof, and to correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committees deem desirable to carry it into effect. Any decision of the Committees in the administration of this Plan, as described herein, shall be final and conclusive.

SECTION 5. ELIGIBILITY

Awards may only be granted (i) to regular full-time or part-time employees of the Company, or (ii) as expressly provided in Sections 6(B), 10 and 11 hereof, to Outside Directors of the Company.

SECTION 6. RESTRICTED STOCK AWARDS

(A) Awards to Employees

The P&C Committee may make a Restricted Stock Award to selected Participants, which Restricted Stock Awards may, at the Company's discretion and as directed by the P&C Committee, be evidenced by an Agreement which shall contain such terms and conditions as the P&C Committee, in its sole discretion, may determine. The amount of each Restricted Stock Award and the respective terms and conditions of such Award (which terms and conditions need not be the same in each case) shall be determined by the P&C Committee in its sole discretion. As a condition to any Restricted Stock Award hereunder, the P&C Committee may require a Participant to pay to the Company a non-refundable amount equal to, or in excess of, the par value of the shares of the Restricted Stock Award. Subject to the terms and conditions of each Restricted Stock Award, the Participant, 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.

Unless otherwise determined and directed by the P&C Committee, in the event that a Restricted Stock Award has been made to a Participant 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 Participant.

(B) Awards to Outside Directors

During the term of this Plan, each person who is hereafter duly appointed or elected as an Outside Director shall be granted, effective on the date of his or her appointment or election to the Board, a Restricted Stock Award of 1,000 shares. All Awards under this subsection (B) are subject to the limitation on the number of shares of Common Stock available pursuant to Section 3 hereof and to the terms and conditions set forth in this subsection (B) and subsection (C) below.

As a condition to any Restricted Stock Award hereunder, the Outside Director may be required to pay to the Company a non-refundable amount equal to the par value of the shares of the Restricted Stock Award. 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 subject to subsection (C) hereof, 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) Retirement, (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. Unless otherwise determined and directed by the G&N Committee, 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 the preceding sentence, any Restricted Stock Award made pursuant to this subsection will be forfeited by such Outside Director.

(C) Transferability

Subject to Section 17(B) hereof, Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered during a Restricted Period, which, in the case of Participants, shall be determined by the P&C Committee and, unless otherwise determined by the P&C Committee, shall not be less than one year from the date of the Restricted Stock Award, and, in the case of Outside Directors, shall be determined in accordance with subsection (B) of this Section. The P&C Committee may, at any time, reduce the Restricted Period with respect to any outstanding shares of a Restricted Stock Award, but, unless otherwise determined by the P&C Committee, such Restricted Period shall not 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 this Plan and the applicable Agreement, if any. 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 this Plan and the applicable Agreement, if any. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes, with the exception that: (i) the Recipient will not be entitled to delivery of the stock 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) subject to Section 17(B) hereof, 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) unless otherwise determined and directed by the Committees, a breach of any restrictions, terms, or conditions provided in this Plan or established by the Committees 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 7. INCENTIVE AWARDS

(A) Any Participant may receive one or more Incentive Awards, as the P&C Committee shall from time to time determine.

(B) No later than 120 days (90 days for those Participants subject to the limitations of Code Section 162(m)) after the commencement of each Performance Period, the P&C Committee shall establish in writing one or more Performance Goals that must be reached by a Participant in order to receive an Incentive Award for such Performance Period. Except with respect to Participants subject to the limitations of Code Section 162(m), the P&C Committee shall have the discretion to later revise the Performance Goals and the amount to be paid out upon the attainment of these goals for any reason including the reflection of promotions, transfers or other changes in a Participant's employment so long as such changes are consistent with the Performance Goals established for other Participants in the same or similar positions. Performance Goals established for Participants subject to Code Section 162(m) may only be adjusted to reduce or eliminate the amount of compensation otherwise payable upon attainment of the Performance Goals.

(C) The target Incentive Award is a fixed percentage of the Participant's Base Salary paid during the year. The maximum Incentive Award is 150% of the target Incentive Award. No Incentive Award shall exceed three million dollars ($3,000,000).

(D) Payment of Incentive Awards shall be made on a date or dates fixed by the P&C Committee. Payment may be made in one or more installments and may be made wholly in cash, wholly in shares of Common Stock or a combination thereof as determined by the P&C Committee.

If payment of an Incentive Award shall be made all or partially in shares of Common Stock, the number of shares of Common Stock to be delivered to a Participant on any payment date shall be determined by dividing (x) the original dollar amount to be paid on the payment date (or the part thereof determined by the P&C Committee to be delivered in shares of such Incentive Award) by (y) the Fair Market Value on the date the Board approves the P&C Committee's decision to pay an Incentive Award or such other date as the Board shall determine.

(E) Unless otherwise determined and directed by the P&C Committee, an Incentive Award shall terminate if the Participant does not remain continuously employed and in good standing with the Company until the date of payment of such Award. Unless otherwise determined and directed by the P&C Committee, in the event a Participant's employment is terminated because of death, Disability or Retirement, the Participant (or his or her beneficiaries or estate) shall receive the prorated portion of the payment of an Incentive Award for which the Participant would have otherwise been eligible based upon the portion of the Performance Period during which he or she was so employed so long as the Performance Goals are subsequently achieved.

SECTION 8. PERFORMANCE UNIT AWARDS

(A) Any Participant may receive one or more Performance Unit Awards, as the P&C Committee shall from time to time determine.

(B) The Performance Goals and Performance Period applicable to a Performance Unit Award shall be set forth in writing by the P&C Committee no later than 120 days (90 days for those Participants subject to the limitations imposed by Code Section 162(m)) after the commencement of the Performance Period. Except with respect to Participants subject to the limitations of Code Section 162(m), the P&C Committee shall have the discretion to later revise the Performance Goals and the amount to be paid out upon the attainment of these goals for any reason including the reflection of promotions, transfers or other changes in a Participant's employment so long as such changes are consistent with the Performance Goals established for other Participants in the same or similar positions. Goals established for Participants subject to Code Section 162(m) may only be adjusted to reduce or eliminate the amount of compensation otherwise payable upon attainment of the Performance Goals.

(C) Each Performance Unit Award shall be established in dollars or shares of Common Stock, or a combination of both, as determined by the P&C Committee. The original amount of any Performance Unit Award shall not exceed 400% of the Participant's then annual base salary and the original amount of any Performance Unit Award shall not exceed five million dollars ($5,000,000). In determining the amount of any Performance Unit Award made, in whole or in part, in shares of Common Stock, the value thereof shall be based on the Fair Market Value on the first day of the Performance Period or on such other date, as the Board shall determine.

(D) Unless otherwise determined and directed by the P&C Committee, a Performance Unit Award shall terminate for all purposes if the Participant does not remain continuously employed and in good standing with the Company until payment of such Performance Unit Award. Unless otherwise determined and directed by the P&C Committee, a Participant (or his or her beneficiaries or estate) whose employment was terminated because of death, Disability or Retirement will receive a prorated portion of the payment of his or her Award based upon the portion of the Performance Period during which he or she was so employed so long as the Performance Goals are subsequently achieved.

(E) Payment with respect to Performance Unit Awards will be made to Participants on a date or dates fixed by the P&C Committee. The amount of such payment shall be determined by the P&C Committee and shall be based on the original amount of such Performance Unit Award adjusted to reflect the attainment of the Performance Goals during the Performance Period. Payment may be made in one or more installments and may be made wholly in cash, wholly in shares of Common Stock or a combination thereof as determined by the P&C Committee.

If payment of a Performance Unit Award established in dollars 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 a Participant on any payment date shall be determined by dividing (x) the amount payable by (y) the Fair Market Value on the date the Board approves the P&C Committee's decision to pay the Performance Unit Award or on such other date as the Board shall determine.

If payment of a Performance Unit Award established in shares of Common Stock is to be made in cash or partly in cash, the amount of cash to be paid to a Participant on any payment date shall be determined by multiplying (x) the number of shares of Common Stock to be paid in cash on such payment date with respect to such Performance Unit Award, by (y) the Fair Market Value on the date the Board approves the P&C Committee's decision to pay the Performance Unit Award or on such other date as the Board shall determine. Any payment may be subject to such restrictions and conditions as the P&C Committee may determine.

SECTION 9. MERIT AWARDS

Any Participant may receive a Merit Award of Common Stock under this Plan for such reasons and in such amounts as the P&C Committee may from time to time determine. As a condition to any such Merit Award, the P&C Committee may require a Participant to pay to the Company a non-refundable amount equal to, or in excess of, the par value of the shares of Common Stock awarded to him or her.

SECTION 10. OPTION AWARDS

(A) Any Recipient may receive one or more Option Awards, as the Committees shall from time to time determine.

(B) Designation and Price

(1) Any Option granted under this Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committees at the time of the grant of such Option. Only Participants

may be granted ISOs. Each Option shall, at the discretion of the Company and as directed by the Committees, be evidenced by a Notice of Grant, which Notice of Grant 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 Committees, in their sole discretion, may determine in accordance with this Plan.

(2) Every ISO shall provide for a fixed expiration date of not later than ten years from the date such ISO is granted. Every NQSO shall provide for a fixed expiration date of not later than ten years and one month from the date such NQSO is granted.

(3) The Exercise Price of Common Stock issued pursuant to each Option shall be fixed by the Committees 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.

(C) Exercise

The Committees may, in their sole discretion, provide for Options granted under this 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 13 hereof or as the Committees otherwise determine in accordance with this 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 the Company of (i) notice from the holder thereof of the exercise of an Option, and (ii) payment to the Company (as provided in subsection (D) of this Section), of the Exercise Price for the number of shares with respect to which the Option is exercised. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Trust Investments Department of the Company, 3499 Blazer Parkway, Lexington, Kentucky 40509, or such other place as the Company may designate from time to time.

(D) Payment for Shares

Except as otherwise provided in this Section, the Exercise Price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committees may impose, the Exercise Price may be paid in whole or in part: (i) in cash; (ii) in whole shares of Common Stock owned by the Recipient and evidenced by negotiable certificates, valued at their Fair Market Value (which shares of Common Stock must have been owned by the Recipient six months or longer, and not used to effect an Option exercise within the preceding six months, unless the Committees specifically provide otherwise); (iii) by Attestation; (iv) by a combination of such methods of payment; or (v) by such other consideration as shall constitute lawful consideration for the issuance of Common Stock and be approved by the Committees (including, without limitation, effecting a Cashless Exercise of the Option with a broker).

(E) Continued Employment, Agreement to Serve and Exercise Period

(1) Participants

(a) Subject to the provisions of Section 13(D) hereof, 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 (unless otherwise determined by the P&C Committee) and if the employment of the Participant shall terminate prior to the end of such one year period (or such other period determined by the P&C Committee), the Option granted to such Participant shall immediately terminate.

(b) Every Option shall provide that in the event the Participant dies (i) while employed by the Company, (ii) during the periods in which Options may be exercised by a Participant determined to be Disabled, or (iii) after Retirement, 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 Participant could have acquired under the Option immediately prior to the Participant's death.

(c) Every Option shall provide that in the event the employment of any Participant shall cease by reason of Disability, as determined by the P&C Committee at any time during the term of the Option, 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 such Participant for the number of shares which the Participant could have acquired under the Option immediately prior to the Participant's Disability. The determination by the P&C Committee of any question involving Disability of a Participant shall be conclusive and binding.

(d) Every Option shall provide that in the event the employment of any Participant shall cease by reason of Retirement, such Option may be exercised at any time or from time to time, prior to the fixed termination date set forth in the Option for the number of shares which the Participant could have acquired under the Option immediately prior to such Retirement.

(e) Notwithstanding any provision of this Plan to the contrary, any Option, may, in the discretion of the P&C Committee or as provided in the relevant Notice of Grant (if any), become exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option for the full number of awarded shares or any part thereof, less such number as may have been theretofore acquired under the Option from and after the time the Participant ceases to be an employee of the Company as a result of the sale or other disposition by the Company of assets or property (including shares of any Subsidiary) in respect of which such Participant had theretofore been employed or as a result of which such Participant's continued employment with the Company is no longer required.

(f) Except as provided in sub-subsections (b), (c), (d), (e) and (g) of this Section 10(E) and Section 13(D) hereof, every Option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the Option or thirty (30) days after cessation of the Participant's employment for any cause in respect of the number of shares which the Participant could have acquired under the Option immediately prior to such cessation of employment; provided, however, that no Option may be exercised after the fixed termination date set forth in the Option.

(g) Notwithstanding any provision of this Section to the contrary, in the event the P&C Committee determines, in its sole and absolute discretion, that the employment of any Participant has terminated for a reason or in a manner adversely affecting the Company (which may include, without limitation, taking other employment or rendering service to others without the consent of the Company), then the P&C Committee may direct that such Participant forfeit any and all Options that he or she could otherwise have exercised pursuant to the terms of this Plan.

(h) Each Participant granted an Award under this Plan shall agree by his or her acceptance of such Award to remain in the service of the Company for a period of at least one year from the date of the Notice of Grant respecting the Award (or, if no Notice of Grant is given, at least one year from the date of the Award). Such service shall, subject to the terms of any contract between the Company and such Participant, be at the pleasure of the Company and at such compensation as the Company shall reasonably determine from time to time. Nothing in this Plan, or in any Award granted pursuant to this Plan, shall confer on any individual any right to continue in the employment of or service to the Company or interfere in any way with the right of the Company to terminate the Participant's employment at any time.

(i) Notwithstanding anything to the contrary herein, any Option that is an ISO shall be exercisable not later than three (3) months following the date that the employment of a Participant terminated.

(2) Outside Directors

If an Outside Director's service on the Board terminates by reason of (i) Retirement, (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, any Option held by such Outside Director may thereafter be exercised by the Outside Director, or in the event of death, by his or her Beneficiary to the extent it was vested and exercisable at the time of such termination (i) for a period equal to the number of years of completed Board service as of the date of such termination of the Outside Director on whose behalf the Option is exercised, or (ii) until the expiration of the stated term of such Option whichever period is the shorter. In the event of termination for any reason other than those set forth above, any Option held by such Outside Director may thereafter be exercised by the Outside Director to the extent it was vested and exercisable at the time of termination (i) for a period of one year from the date of such termination or (ii) until the expiration of the stated term of such Option, whichever period is the shorter, unless otherwise determined by the G&N Committee.

SECTION 11. STOCK APPRECIATION RIGHT AWARDS

The Committees may grant Stock Appreciation Rights pursuant to the provisions of this Section to any Recipient holding any Option granted under this Plan with respect to all or a portion of the shares subject to the related Option. A SAR may only be granted concurrently with the grant of the related Option. Subject to the terms and provisions of this Section, 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. A 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. A SAR granted under this Plan shall be exercisable in whole or in part by notice to the Company. Each such notice shall be delivered or mailed by postpaid mail, addressed to the Trust Investments Department of the Company, 3499 Blazer Parkway, Lexington, Kentucky 40509, or such other place as the company may designate from time to time. 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.

Subject to the terms and provisions of this Section, upon the exercise of a SAR, the Recipient shall be entitled to receive from the Company 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 Committees may stipulate in the Notice of Grant the form of consideration which shall be received upon the exercise of a SAR. If no consideration is specified therein, upon the exercise of a SAR, the Recipient, may specify the form of consideration to be received by such Recipient, which shall be in shares of Common Stock, or in cash, or partly in cash and partly in shares of Common Stock (valued at the Fair Market Value on the date of exercise of the SAR), as the Recipient shall request; provided, however, that the Committees, in their 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 a 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 this 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 12. CONTINUED EMPLOYMENT

Nothing in this Plan, or in any Award granted pursuant to this Plan, shall confer on any individual any right to continue in the employment of, or service to, the Company or interfere in any way with the right of the Company to terminate the Participant's employment at any time.

SECTION 13. CHANGE IN CONTROL

(A) Upon a Change in Control, any Restricted Stock Award shall be free of all restrictions for the full number of awarded shares less such number as may have been theretofore acquired under the Restricted Stock Award.

(B) Upon a Change in Control, there shall be an acceleration of any Performance Period relating to any Incentive Award, and payment of any Incentive Award shall be made in cash as soon as practicable after such Change in Control based upon achievement of the Performance Goals applicable to such Award up to the date of the Change in Control. Further, the Company's obligation with respect to such Incentive Award shall be assumed, or new obligations substituted therefor, by the acquiring or surviving corporation after such Change in Control. In addition, prior to the date of such Change in Control, the P&C Committee, in its sole judgment, may make adjustments to any Incentive Award as may be appropriate to reflect such Change in Control.

(C) Upon a Change in Control, there shall be an acceleration of any Performance Period relating to any Performance Unit Award, and payment of any Performance Unit Award shall be made in cash as soon as practicable after such Change in Control based upon achievement of the Performance Goals applicable to such Performance Unit Award up to the date of the Change in Control. If such Performance Unit Award was established in shares of Common Stock, the amount of cash to be paid to a Participant with respect to the Performance Unit Award shall be determined by multiplying (x) the number of shares of Common Stock relating to such Performance Unit Award, by (y) the Fair Market Value on the date of the Change in Control. Further, the Company's obligation with respect to such Performance Unit Award shall be assumed, or new obligations substituted therefor, by the acquiring or surviving corporation after such Change in Control. In addition, prior to the date of such Change in Control, the P&C Committee, in its sole judgment, may make adjustments to any Performance Unit Award as may be appropriate to reflect such Change in Control.

(D) Upon a Change in Control, any Option Award or SAR Award shall become immediately exercisable for the full number of awarded shares or any part thereof, less such numbers as may have been theretofore acquired under the Option Award or SAR Award from and after the date of such Change in Control, unless otherwise provided in the Notice of Grant.

SECTION 14. WITHHOLDING TAXES

Federal, state or local law may require the withholding of taxes applicable to gains resulting from the payment or vesting of an Award. Unless otherwise prohibited by the P&C 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; (ii) authorizing the Company to withhold from the shares of Common Stock otherwise issuable to the Participant pursuant to the 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 the Company 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 the vesting of an Award. A Participant'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 P&C Committee may adopt, and may be disapproved by the P&C Committee. If the amount requested is not paid, the P&C Committee may refuse to issue Common Stock under this Plan.

SECTION 15. 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 this Plan pursuant to Section 3 hereof 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 Recipient shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes hereof.

SECTION 16. AMENDMENT AND TERMINATIONS

The Committees may amend, alter or terminate this Plan at any time without the prior approval of the Board; provided, however, that: (i) the Committees may not, without approval by the Board and the shareholders, (a) materially increase the benefits provided to Recipients under this Plan or (b) provide for the re-pricing of Options; and (ii) any amendment with respect to Restricted Stock granted to Outside Directors must be approved by the full Board.

Termination of this Plan shall not affect any Awards made hereunder which are outstanding on the date of termination and such Awards shall continue to be subject to the terms of this Plan notwithstanding its termination.

SECTION 17. MISCELLANEOUS PROVISIONS

(A) Except as to Awards of Restricted Stock to Outside Directors, no Participant or other person shall have any claim or right to be granted an Award under this Plan.

(B) A Recipient's rights and interest under this 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 a Recipient'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 Recipient in this Plan shall be subject to any obligation or liability of such individual; provided, however, that a Recipient's rights and interest under this Plan may, subject to the discretion and direction of the Committees, be made transferable by such Recipient during his or her lifetime. Except as specified in Section 6 hereof, 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 this Plan shall be borne by the Company.

(E) By accepting any Award under this Plan, each Recipient 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 this Plan by the Company, the Board, and the Committees.

(F) Awards granted under this Plan shall be binding upon the Company, its successors, and assigns.

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

(H) Each Recipient shall be deemed to have been granted any Award on the date the Committees took action to grant such Award under this Plan or such date as the Committees in their sole discretion shall determine at the time such grant is authorized.

SECTION 18. EFFECTIVENESS OF THIS PLAN

This Plan was originally approved by the shareholders of the Company on January 27, 2000. The Amended and Restated Plan shall be submitted to the shareholders of the Company for their approval and adoption on January 25, 2001, or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. If not approved by the shareholders of the Company at the January 25, 2001 Annual Meeting, the original Plan shall remain in effect with respect to Awards other than Option Awards and SAR Awards. No Option Awards or SAR Awards shall be made under the Amended and Restated Plan unless and until the Amended and Restated Plan has been approved and adopted at a meeting of the Company's shareholders.

SECTION 19. GOVERNING LAW

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

TENTH AMENDED AND RESTATED
ASHLAND INC.
SUPPLEMENTAL EARLY RETIREMENT PLAN
FOR CERTAIN EMPLOYEES
November 4, 1999
CONFORMED COPY INCLUDING AMENDMENT NO. 1

ARTICLE I. PURPOSE AND EFFECTIVE DATE.

1.01 PURPOSE

The purpose of the Plan is to allow designated employees to retire prior to their sixty-fifth birthday without an immediate substantial loss of income. This Plan is a supplemental retirement arrangement for a select group of management.

1.02 EFFECTIVE DATE

The Tenth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees is hereby amended effective November 4, 1999. However, the rights and obligations of Employees who were selected by the Board or approved for participation pursuant to the eligibility requirements of the Plan to receive a benefit under the Plan, or who were receiving benefits prior to November 4, 1999 shall be governed by the terms of the Plan in effect at the time of each such Employee's Effective Retirement Date, unless otherwise determined by the Committee in its sole discretion.

ARTICLE II. DEFINITIONS.

The following terms used herein shall have the following meanings unless the context otherwise requires:

2.01 "Age" - means the age of an Employee as of his or her last birthday, except as may otherwise be provided under Sections 5.01 and 5.02 in the event of a Change in Control.

2.02 "Annual Retirement Income" - means the annual income payable under this Plan by Ashland for the lifetime of a Participant commencing on such Participant's Effective Retirement Date and ending on his or her date of death, subject to the provisions of Section 5.04.

2.03 "Ashland" - means Ashland Inc. and its present or future subsidiary corporations.

2.04 "Board" - means the Board of Directors of Ashland and its designees.

2.05 "Change in Control" - shall be deemed to occur (1) upon the approval of the shareholders of Ashland (or if such approval is not required, the approval of the Board) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Ashland common stock would be converted into cash, securities or other property other than a merger in which the holders of Ashland 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 3(a)(9) or 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 15% of the Ashland common stock outstanding at the time, without the approval of the Board, or (3) if 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 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.

2.06 "Committee" - means the Personnel and Compensation Committee of the Board and its designees.

2.07 "Effective Retirement Date" - means the date upon which a Participant retires under this Plan which shall be the first day of the month following the Participant's 62nd birthday or, at Ashland's discretion or as otherwise provided in Article V or VI, any earlier age. Upon approval as provided in Sections 3.01 and 3.02, the "Effective Retirement Date" of a Participant may occur after the Employee reaches age 62. The Effective Retirement Date of an Employee who becomes a Participant under Section 3.03 because of a Change in Control and who is considered to be a Level I or II participant in the Incentive Compensation Plan and who has an Employment Agreement shall be the first day of the month following (i) such Employee's termination for reasons other than "Cause" or (ii) such Employee's resignation for "Good Reason." The Effective Retirement Date of an Employee who becomes a Participant under Section 3.03 because of a Change in Control and who is considered to be a Level III, IV or V participant in the Incentive Compensation Plan, or who is considered to be a Level I or II participant in the Incentive Compensation Plan and who does not have an Employment Agreement, shall be the first day of the month following such Employee's termination for reasons other than "Cause". For Employees who do not have an Employment Agreement with Ashland, "Cause" shall have the meaning given to that word in Section 3.05.

2.08 "Employee" - means an employee of Ashland who (i) is at least 55 years of age or such earlier age pursuant to Section 5.06(b); and (ii) is deemed on the Effective Retirement Date to be a Level V or above employee under the Incentive Compensation Plan. Notwithstanding anything herein to the contrary, if, after a Change in Control, an Employee is terminated other than for "Cause" or, in the case of a Level I or II Employee having an Employment Agreement, resigns for "Good Reason," the age 55 threshold in clause (i) does not apply and is inapplicable.

2.09 "Employment Agreements" - means those contractual agreements, in effect from time to time, which are approved by the Board and which provide an Employee with a specified period of employment and other benefits.

2.10 "Final Average Bonus" - means the Participant's average bonus paid under the Incentive Compensation Plan (including amounts that may have been deferred) during the highest thirty-six (36) months out of the final sixty-month (60) period. For these purposes, the "bonus paid" for a particular month within a particular fiscal year under such plan shall be equal to the amount of such bonus actually paid (regardless of the date paid, but excluding any adjustment for the deferral of such payment) to such Participant on account of such fiscal year divided by the number of months contained in such fiscal year which were used in determining the amount of such bonus actually paid to such Participant.

2.11 "Final Average Compensation" - means the average total compensation paid during the highest thirty-six months (36) out of the final sixty-month (60) period. For these purposes, "total compensation paid" is the sum of the "compensation paid" and the "bonus paid" during a particular month. "Compensation paid" shall be the base rate of compensation for such Participant in effect on the first day of such calendar month. "Bonus paid" shall have the same meaning as set forth in Section 2.10. In the event a payment is due under the Plan after a Change in Control because the Participant was terminated other than for "Cause" or resigned for "Good Reason," the calculation of Final Average Compensation shall include the amount paid under such Participant's Employment Agreement. The amount so paid shall be divided by 36 to derive the monthly "total compensation paid" it represents.

2.12 "Incentive Compensation Plan" - means the Ashland Inc. Incentive Compensation Plan or the Ashland Inc. Incentive Compensation Plan for Key Executives, as applicable, including any successor to such plans.

2.13 "Participant" - means an Employee who has been approved for participation in the Plan pursuant to Article III or Section 5.06.

2.14 "Plan" - means the Tenth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees as set forth herein.

2.15 "Service" - means the number of years and fractional years of employment by Ashland of an Employee, measured from the first day of the month coincident with or next succeeding his or her initial date of employment up to and including such Employee's Effective Retirement Date. For purposes of this Section 2.15, Service shall include an Employee's employment with a subsidiary or an affiliate of Ashland determined in accordance with rules from time to time adopted or approved by the Board, or its delegate.

ARTICLE III. PARTICIPATION IN PLAN.

Eligibility for benefits shall be determined as follows:

3.01 EMPLOYEES WHO REQUIRE BOARD APPROVAL

Except as otherwise provided in Section 3.03, an Employee who on the Effective Retirement Date is deemed to be a Level I or II participant under the Incentive Compensation Plan shall require Board approval to participate in this Plan.

3.02 EMPLOYEES WHO REQUIRE CEO OR OTHER APPROVAL

Except as otherwise provided in Section 3.03, an Employee who on the Effective Retirement Date is deemed to be a Level III, IV, or V participant under the Incentive Compensation Plan shall require the approval of either (i) Ashland's Chief Executive Officer or (ii) Ashland's Administrative Vice President, Human Resources and either the President or the Chief Financial Officer to participate in this Plan.

3.03 AUTOMATIC APPROVAL FOR CHANGE IN CONTROL

Subject to the provisions of Article VI, in the event of a Change in Control (as defined in Section 2.05), an Employee who is deemed to be a Level I, II, III, IV or V participant under the Incentive Compensation Plan shall automatically be deemed to be approved by the Board or by the Chief Executive Officer, as applicable, for participation under this Plan.

3.04 OTHER APPROVALS

The Board or Chief Executive Officer, as applicable, may approve such employees for participation in the Plan as they deem to be appropriate, all in its or his sole discretion.

3.05 TERMINATION FOR CAUSE

Ashland reserves the right to terminate any Participant for "Cause" prior to his or her Effective Retirement Date, with a resulting forfeiture of the payment of benefits under the Plan. Ashland also reserves the right to terminate any Participant's participation in the Plan for "Cause" subsequent to his or her Effective Retirement Date. For purposes of this Section 3.05, "Cause" shall mean the willful and continuous failure of a Participant to substantially perform his or her duties to Ashland (other than any such failure resulting from incapacity due to physical or mental illness), or the willful engaging by a Participant in gross misconduct materially and demonstrably injurious to Ashland, each to be determined by Ashland in its sole discretion.

ARTICLE IV. INTERACTION WITH EMPLOYMENT AGREEMENTS.

4.01 TERMINATIONS - GENERAL

Notwithstanding any provision of this Plan to the contrary, an Employee who has entered into an Employment Agreement with Ashland and who is either terminated without "Cause" prior to a "change in control of Ashland" or is terminated without "Cause" or resigns for "Good Reason" following a "change in control of Ashland" (each quoted term as defined in the applicable employment agreement) shall be entitled to receive the benefits as provided pursuant to this Plan. Benefits payable hereunder in such a situation shall be calculated in accordance with the payment option selected by the Employee at such time.

4.02 BENEFITS PRIOR TO "CHANGE IN CONTROL."

If the Employee's termination is without "Cause" prior to a "change in control of Ashland," the benefits payable hereunder shall commence no earlier than as of the first day of the calendar month coincident with or next following the second anniversary following the Employee's "Date of Termination" (as defined in the applicable employment agreement); however, if the Employee elects to receive such benefits in a lump sum as provided in Section 5.04(b)(1), such benefits shall commence and be payable as therein specified.

4.03 BENEFITS SUBSEQUENT TO A "CHANGE IN CONTROL."

If the Employee's termination is without "Cause" or he or she resigns for "Good Reason" following a "change in control of Ashland," benefits payable hereunder shall begin as of the first day of the calendar month next following the Participant's Effective Retirement Date.

4.04 SUBSEQUENT ACTIVITY IN CONFLICT WITH ASHLAND

The provisions of this Section 4.04 shall apply to Level I, II, III, IV and V Participants, regardless of whether such a Participant has an Employment Agreement; except that the provisions of this Section 4.04 shall not apply to any Participant who was approved for participation hereunder under the provisions of Section 3.03. If a Participant accepts, during a period of five (5) years subsequent to his or her Effective Retirement Date, any consulting or employment activity which is in direct and substantial conflict with the business of Ashland at such time (such determination regarding conflicting activity to be made in the sole discretion of the Board), he or she shall be considered in breach of the provisions of this Section 4.04; provided, however, he or she shall not be restricted in any manner with respect to any other non-conflicting activity in which he or she is engaged.

If a Participant wishes to accept employment or consulting activity which may be prohibited under this Section 4.04, such Participant may submit to Ashland written notice (Attention: Administrative Vice President, Human Resources) of his or her wish to accept such employment or consulting activity. If within ten (10) business days following receipt of such notice Ashland does not notify the Participant in writing of Ashland's objection to his or her accepting such employment or consulting activity, then such Participant shall be free to accept such employment or consulting activity for the period of time and upon the basis set forth in his or her written request.

In the event the provisions of this Section 4.04 are breached by a Participant, the Participant shall not be entitled to any additional periodic payments hereunder and shall be liable to repay to Ashland all amounts such Participant received prior to such breach. If a Participant who breaches the provisions of this Section 4.04 received a lump sum distribution of his or her benefit prior to such breach, such Participant shall be liable to repay to Ashland the amount of such distribution. If a Participant who breaches the provisions of this Section 4.04 deferred all or any part of a lump sum distribution hereunder to the Ashland Inc. Deferred Compensation Plan, the amount so deferred shall be forfeited, and if any amount of the amount so deferred was distributed from the Ashland Inc. Deferred Compensation Plan before the breach occurred, the amount so distributed shall be repaid to Ashland. Any repayment of benefits hereunder shall be assessed interest at the rate applicable for the calculation of a lump sum payment under Section 5.04(b) for the month in which the breach occurs, with such interest compounded monthly from the month in which the breach occurs to the month in which such repayment is made to Ashland. Ashland shall have available to it all other remedies at law and equity to remedy a breach of this Section 4.04.

ARTICLE V. ANNUAL RETIREMENT INCOME AND OTHER BENEFITS.

5.01 LEVELS I AND II.

The Annual Retirement Income of a Participant who is deemed to be a Level I or II Participant under the Incentive Compensation Plan shall be equal to:

(a) Pre-Age 62 Benefit

A Participant who retires under this Plan, including a Participant to whom the provisions of paragraph (d) of this Section 5.01 apply, shall receive an Annual Retirement Income from and after the first day of the calendar month next following his or her Effective Retirement Date until the end of the month in which he or she attains age 62 equal to the greater of (1) the amounts provided in the following schedule or (2) 50% of Final Average Compensation. Notwithstanding the previous sentence, in the event such Participant retired with less than 20 years of Service, such Annual Retirement Income shall be multiplied by a fraction (A) the numerator of which is such Participant's years of and fractional years of Service, and (B) the denominator of which is twenty (20).

Retirement			% of Compensation
1st	-	Year After Effective Retirement Date	75%
2nd	-	"	70%
3rd	-	"	65%
4th	-	"	60%
5th	-	"	55%
6th	-	Year and thereafter to Age 62	50%

For purposes of this Section 5.01(a), "% of Compensation" shall mean the annualized average of the Participant's base monthly compensation rates (excluding incentive awards, bonuses, and any other form of extraordinary compensation) in effect with respect to Ashland on the first day of the thirty-six (36) consecutive calendar months which will give the highest average out of the one-hundred twenty (120) consecutive calendar month period ending on the Participant's Effective Retirement Date.

(b) AGE 62 BENEFIT AND THEREAFTER

From and after the first day of the calendar month next following his or her Effective Retirement Date, or the attainment of age 62, whichever is later, the Participant's Annual Retirement Income shall be equal to 50% of Final Average Compensation; provided, however, that in the event such Participant retired with less than 20 years of Service, such Annual Retirement Income shall be 50% of Final Average Compensation multiplied by a fraction (A) the numerator of which is such Participant's years of and fractional years of Service, and (B) the denominator of which is twenty (20).

(c) BENEFIT REDUCTION

The amount of benefit provided in paragraphs (a) and (b) of this Section 5.01 shall be reduced by the sum of the following:

(1) the Participant's benefit under the Ashland Inc. and Affiliates Pension Plan (the "Pension Plan") (assuming 50% of such Participant's account under the Ashland Inc. Leveraged Employee Stock Ownership Plan were transferred to the Pension Plan, as allowed under the terms of each of the said plans [AMENDMENT NO. 1 EFFECTIVE 11/4/99] AND DISREGARDING ANY BENEFIT ASSIGNMENT UNDER AN APPROVED QUALIFIED DOMESTIC RELATIONS ORDER AFFECTING EITHER THE PENSION PLAN OR THE ASHLAND INC. LEVERAGED EMPLOYEE STOCK OWNERSHIP PLAN), determined on the basis of a single life annuity form of benefit;

(2) the Participant's benefit under any other defined benefit pension plan qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended which is maintained by Ashland, determined [AMENDMENT NO. 1 EFFECTIVE 11/4/99] BY DISREGARDING ANY BENEFIT ASSIGNMENT UNDER AN APPROVED QUALIFIED DOMESTIC RELATIONS ORDER AND ON the basis of a single life annuity form of benefit (said plans

referred to in sub-paragraphs (1) and (2) of this paragraph (c) are hereinafter referred to jointly and severally as the "Affected Plans");

(3) the Participant's benefit under the Ashland Inc. Nonqualified Excess Benefit Pension Plan, determined on the basis of a single life annuity form of benefit; and

(4) the Participant's benefit under the Ashland Inc. ERISA Forfeiture Plan attributable to amounts which were forfeited under the Ashland Inc. Leveraged Employee Stock Ownership Plan, multiplied by 50%, and determined on the basis of a single life annuity benefit.

In the event a Participant's benefit hereunder is paid as a lump sum pursuant to an election under Section 5.04(b)(1), the reduction to such benefit shall be calculated based upon the lump sum actuarial present value of the benefits referred to in sub-paragraphs (1)-(4) of this paragraph (c) to which the Participant would be entitled at age 62, regardless of the date payments actually commence. In the event the Participant's benefit hereunder is paid in any form of periodic payments, the reduction shall apply from and after the date the Participant actually commences payments under the plans referred to under sub-paragraphs (1), (2) or (3) of this paragraph (c).

(d) BENEFIT AFTER A CHANGE IN CONTROL

(1) Participants Having Employment Agreements. A Participant having an Employment Agreement who either is terminated without "Cause" or resigns for "Good Reason" after a Change in Control shall have the benefit payable under this Section 5.01 computed by adding 3 years to the Participant's Age and Service at the Participant's Effective Retirement Date. These additions to Age and Service shall, except as otherwise provided, apply for purposes of computing the single life

annuity payment to the Participant. A Participant subject to this paragraph (d)(1) whose Effective Retirement Date occurs before attaining an actual age of 55 shall have the 3 year addition to Age apply when converting the single life annuity amount to any permitted optional form under this Article V. If the Effective Retirement Date of a Participant subject to this paragraph (d)(1) occurs on or after the Participant attains an actual age of 55, then the Participant's actual age shall be used when making such a conversion. Notwithstanding anything to the contrary contained herein, when converting a Participant's single life annuity to a lump sum payment option, the Participant's actual age shall be used without reference to the additional 3 years. If the addition of 3 years to the Participant's age results in an Age less than 55 and the Participant commences the benefit, the amount of the benefit shall be adjusted to account for the fact it is paid before the Participant's attainment of Age 55. This adjustment shall be based upon the early retirement table in Section 6.2 of the Ashland Inc. and Affiliates Pension Plan as it existed on September 30, 1999. When applying this table under these circumstances, age 55 shall be substituted for age 62 and adjustments for ages younger than those on the table shall be reasonably determined by an actuary or actuarial firm who regularly performs services in connection with the Plan.

(2) Participants Without Employment Agreements. A Participant without an Employment Agreement who is terminated without "Cause" after a Change in Control shall have the benefit payable under this Section 5.01 computed by adding the applicable amount to the Participant's Age and Service at the

Participant's Effective Retirement Date. For these purposes, the applicable amount is derived from the following table.

Length of Participant's Service at Separation from Employment	Number of Years (the Applicable Amount)
Up to 5 years	3 months
More than 5 and up to 10 years	6 months
More than 10 and up to 15 years	1 year
More than 15 and up to 20 years	1 year and 6 months
More than 20 years	2 years

These additions to Age and Service shall, except as otherwise provided, apply for purposes of computing the single life annuity payment to the Participant. A Participant subject to this paragraph (d)(2) whose Effective Retirement Date occurs before attaining an actual age of 55 shall have the applicable amount added to such Participant's Age apply when converting the single life annuity amount to any permitted optional form under this Article V. If the Effective Retirement Date of a Participant subject to this paragraph (d)(2) occurs on or after the Participant attains an actual age of 55, then the Participant's actual age shall be used when making such a conversion. Notwithstanding anything to the contrary contained herein, when converting a Participant's single life annuity to a lump sum payment option, the Participant's actual age shall be used without reference to the addition of the applicable amount. If the addition of the applicable amount to the Participant's age results in an Age less than 55 and the Participant commences the benefit, the amount of the benefit shall be adjusted to account for the fact it is paid before the Participant's attainment of Age 55. This adjustment shall be based upon the early retirement table in Section 6.2 of the Ashland Inc. and Affiliates Pension Plan as it existed on September 30, 1999. When applying this table under these circumstances, age 55 shall be substituted for age 62 and adjustments for ages younger than those on the table shall be reasonably determined by an actuary or actuarial firm who regularly performs services in connection with the Plan.

5.02 LEVELS III, IV AND V.

(a) GENERAL

The Annual Retirement Income of a Participant (including a Participant to whom the provisions of paragraph (b) of this Section 5.02 apply) who on his or her Effective Retirement Date was deemed to be a Level III, IV, or V Participant under the Incentive Compensation Plan shall, from and after the first day of the calendar month next following his or her 62nd birthday, be equal to 50% of Participant's Final Average Bonus; provided, however, that in the event such Participant retired with less than 20 years of Service, such Annual Retirement Income after age 62 shall be 50% of Final Average Bonus multiplied by a fraction (A) the numerator of which is such Participant's years of and fractional years of Service, and (B) the denominator of which is twenty (20). Although a Participant may elect to commence benefits under this Plan upon his or her Effective Retirement Date, there shall be an actuarial adjustment (consistent with that applied under Ashland's qualified pension plan, as from time to time in effect) for Participants receiving benefits under this Section 5.02 whose Effective Retirement Date is prior to age 62.

(b) BENEFIT AFTER A CHANGE IN CONTROL

A Participant who is terminated other than for "Cause" after a Change in Control shall have the benefit payable under this Section 5.02 computed by adding to the Participant's Age and Service at the Participant's Effective Retirement Date the number of years equal to the applicable amount for the Participant derived from the following table.

Length of Participant's Service at Separation from Employment	Number of Years (the Applicable Amount)
Up to 5 years	3 months
More than 5 and up to 10 years	6 months
More than 10 and up to 15 years	1 year
More than 15 and up to 20years	1 year and 6 months
More than 20 years	2 years

These additions to Age and Service shall, except as otherwise provided, apply for purposes of computing the single life annuity payment to the Participant. A Participant subject to this paragraph (b) whose Effective Retirement Date occurs before attaining an actual age of 62 shall have the applicable amount from the table hereinabove added to his or her Age apply when converting the single life annuity amount to any permitted optional form under this Article V. If the Effective Retirement Date of a Participant subject to this paragraph (b) occurs on or after the Participant attains an actual age of 62, then the Participant's actual age shall be used when making such a conversion. Notwithstanding anything to the contrary contained herein, when converting a Participant's single life annuity to a lump sum payment option, the Participant's actual age shall be used without reference to the applicable amount derived from the table hereinabove. If the addition of the applicable amount from the table hereinabove to the

Participant's age results in an Age less than 62 and the Participant commences the benefit, the amount of the benefit shall be adjusted to account for the fact it is paid before the Participant's attainment of Age 62. This adjustment shall be based upon the early retirement table in Section 6.2 of the Ashland Inc. and Affiliates Pension Plan as it existed on September 30, 1999, and adjustments for ages younger than those on the table shall be reasonably determined by an actuary or actuarial firm who regularly performs services in connection with the Plan.

5.03 BENEFITS PAYABLE FOR LESS THAN 12 MONTHS

Annual Retirement Income benefits payable under Sections 5.01 and 5.02 for a period of less than 12 months due to a Participant's attainment of age 62 or death will be payable on a pro-rata basis, with months taken as a fraction of a year.

5.04 PAYMENT OPTIONS

(a) ELECTION

A Participant shall, subject to Sections 5.05 and 5.06, elect the form in which such benefit shall be paid from among those identified in this Section 5.04 and such election shall be made at the time and in the manner prescribed by Ashland, from time to time, provided that the election is made before the Participant's Effective Retirement Date. Such election, including the designation of any contingent annuitant or alternate recipient under Sections 5.04(b)(4) or (5), shall be irrevocable except as otherwise set forth herein. Notwithstanding anything in the foregoing to the contrary, any Participant approved for participation in the Plan pursuant to Sections 3.01, 3.02 and 3.04 who makes an election under Section 5.04(b)(2) shall make such election by the later of - (1) the 60th day following such Participant's approval to participate in this Plan; or

(2) the earlier of -
(A) the date six months prior to Participant's Effective Retirement Date; or (B) the December 31 immediately preceding the Participant's Effective Retirement Date.
Such deferral election shall be made in the manner prescribed by Ashland, from time to time, and shall be irrevocable as of the applicable time identified under Sections 5.04(a)(1) or (2).

Until the time at which an election becomes irrevocable, a Participant shall be able to change it.

(b) OPTIONAL FORMS OF PAYMENT

(1) LUMP SUM OPTION A Participant may elect to receive the benefit under Article V as a lump sum distribution.. A lump sum benefit payable under the Plan to a Participant shall be computed on the basis of the actuarially equivalent present value of such Participant's benefit under Article V based upon such actuarial assumptions as determined by the Committee. Such lump sum shall be payable within thirty (30) days following the later of the Participant's Effective Retirement Date, or at such later date as Ashland or its delegate may determine, in its sole discretion. The option shall be made available to a Participant contingent upon various considerations, including, but not limited to, the following:
The tax status of Ashland, including without limitation, the corporate and individual tax rate then applicable and whether or not Ashland has or projects a net operating loss; the current and projected liquidity of Ashland, including cash flow, capital expenditures and dividends; Ashland `s borrowing requirements and debt leverage; applicable book charges; organizational issues, including succession issues; security of the retirement

payment(s) with respect to the retiree; and the Participant's preference.

(2) LUMP SUM DEFERRAL OPTION A Participant who is eligible to receive a lump sum distribution under 5.04(b)(1) shall be able to elect to defer all or a portion of the receipt of the elected lump sum (in increments of such percentage or such amount as may be prescribed by Ashland or its delegatee, from time to time), by having the obligation to distribute such amount transferred to the Ashland Inc. Deferred Compensation Plan to be held thereunder in a notional account and paid pursuant to the applicable provisions of such Plan, as they may be amended from time to time; provided, however, that the election to defer such distribution shall be made at the time and in the manner prescribed in Section 5.04(a)(1) and (2).

(3) SINGLE LIFE ANNUITY A Participant may elect to have such benefit paid in the form of equal monthly payments for and during such Participant's life, with such payments ending at such Participant's death. Payments under this option shall be actuarially equivalent to the benefit provided under Section 5.01 or 5.02, whichever is applicable, determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Pension Plan.

(4) JOINT AND SURVIVOR INCOME OPTION A Participant may elect to receive an actuarially reduced benefit payable monthly during the Participant's lifetime with payments to continue after his or her death to the person he designates (hereinafter called "contingent annuitant"), in an amount equal to (1) 100% of such actuarially reduced benefit, (2) 66 2/3% of such actuarially reduced benefit, or (3) 50% of such actuarially reduced benefit. Benefit payments under this option shall terminate with the

monthly payment for the month in which occurred the date of death of the later to die of the Participant and his or her contingent annuitant. The following additional limitations and conditions apply to this option:

(A) The contingent annuitant shall be designated by the Participant in writing in such form and at such time as Ashland may from time to time prescribe. Before the Participant's Effective Retirement Date, the Participant may change the contingent annuitant elected.

(B) In the event of the death of the contingent annuitant prior to the date as of which the election is irrevocable, the Participant's selection of this option shall be void and the Participant may change the contingent annuitant or change the option elected, subject to the applicable limitations and conditions applied to elections for the options described under 5.04(a)(1) and (2).

(C) Actuarial equivalence under this sub-paragraph (4) shall be determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Pension Plan.

(5) PERIOD CERTAIN INCOME OPTION A Participant may elect to receive an actuarially reduced benefit payable monthly during his or her lifetime and terminating with the monthly payment for the month in which his or her death occurs, with the provision that not less than a total of 120 monthly payments shall be made in any event to him or her and/or the person designated by him or her to receive payments under this sub-paragraph (5) in the event of his or her death (hereinafter called "alternate recipient"). If a Participant and his or her alternate recipient die after the Effective Retirement Date, but before the total specified monthly payments have been made to such Participant and/or his or her alternate recipient, the commuted value of the remaining unpaid payments shall be paid in a lump sum to the estate of the later to die of the Participant or his or her alternate recipient. The following additional limitations and conditions shall apply to this option:

(A) The alternate recipient shall be designated in writing by the Participant in such form and at such time as Ashland may from time to time prescribe. The designation of an alternate recipient under this sub-paragraph (5) is irrevocable after the Effective Retirement Date, provided, however, a Participant may designate a new alternate recipient if the one first designated dies before the Participant and after the Effective Retirement Date.

(B) In the event of the death of the alternate recipient prior to the date as of which the election is irrevocable, the Participant's selection of this option shall be void and the Participant may change the alternate recipient or change the option elected, subject to the applicable limitations and conditions applied to elections for the options described under 5.04(a)(1) and (2).

(C) Actuarial equivalence under this sub-paragraph (5) shall be determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Pension Plan.

5.05. PAYMENT OF SMALL AMOUNTS

Unless such Participant elects to receive his or her benefit in a lump sum as provided in Section 5.04, in the event a monthly benefit under this Plan, payable to either a Participant or to his or her contingent annuitant, alternate recipient or surviving spouse, is too small (in the sole judgment of Ashland) to be paid monthly, such benefit may be paid quarterly, semi-annually, or annually, as determined by Ashland to be administratively convenient.

5.06. SURVIVING BENEFITS

(a) Except as otherwise provided in Section 5.04 of this Plan, in the event that a Participant receiving Annual Retirement Income benefits shall die after his or her Effective Retirement Date, no additional benefits shall be payable by Ashland under this Plan to such deceased Participant's beneficiaries, survivors, or estate.

(b) If an Employee dies while in active service with Ashland

(1) prior to approval for participation in the Plan and said Employee is a Level I or II participant under the Incentive Compensation Plan; or

(2) after approval for participation in the Plan but prior to making an election pursuant to Section 5.04(a) and said Employee is a Level I -V participant under the Incentive Compensation Plan; then such Employee shall be deemed:

(i) to be a Participant under the Plan in the case of Section 5.06 (b)(1); (ii) to have commenced participation one (1) day prior to the date of the Employee's death; and (iii) to have elected to receive his or her benefits in the form of the 100% Joint & Survivor retirement income option and to have designated his or her spouse as the beneficiary thereunder.

(c) In the event an Employee is approved for participation under the Plan and dies after having made an election under Section 5.04(a) but prior to his or her Effective Retirement Date, then such Employee shall be deemed to have commenced participation one (1) day prior to the date of the Employee's death and payment shall be made under this Plan in accordance with the Employee's election.

5.07 PARTICIPATION IN OTHER BENEFITS

After a Participant's Effective Retirement Date, he or she shall continue to participate in Ashland's Group Life Insurance, Medical and Dental programs in the same manner and under the same terms and conditions as provided for retirees as a class under the provisions of such programs, as from time to time in effect. Except as otherwise expressly provided in this Plan, a Participant's active participation in all employee benefit programs maintained by Ashland derived from his or her employment status with Ashland shall be discontinued.

ARTICLE VI. CHANGE IN CONTROL.

Notwithstanding any provision of this Plan to the contrary, in the event of a Change in Control, an Employee who is deemed to be a Level I, II, III, IV or V participant under Ashland's Incentive Compensation Plan, shall, in accordance with Section 3.03, automatically be deemed approved for participation under this Plan. Consistent with the applicable terms of Sections 5.01 and 5.02, such a Participant may, in his or her sole discretion, elect to retire prior to Age 62. In addition, Ashland (or its successor after the Change in Control) shall reimburse an Employee for legal fees, fees of other experts and expenses incurred by such Employee if he or she is required to, and is successful in, seeking to obtain or enforce any right to payment pursuant to the Plan. In the event that it shall be determined that such Employee is properly entitled to the payment of benefits hereunder, such Employee shall also be entitled to interest thereon payable in an amount equivalent to the prime rate of interest (quoted by Citibank, N.A. as its prime commercial lending rate on the latest date practicable prior to the date of the actual commencement of payments) from the date such payment(s) should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, the provisions of this Plan or any other plan of Ashland Inc. having a material impact on the benefits payable under this Plan may not be amended after a Change in Control occurs without the written consent of a majority of the Board who were directors prior to the Change in Control.

ARTICLE VII. MISCELLANEOUS.

7.01 The obligations of Ashland hereunder constitute merely the promise of Ashland to make the payments provided for in this Plan. No employee, his or her spouse or the estate of either of them shall have, by reason of this Plan, any right, title or interest of any kind in or to any property of Ashland. To the extent any Participant has a right to receive payments from Ashland under this Plan, such right shall be no greater than the right of any unsecured general creditor of Ashland.

7.02 Full power and authority to construe, interpret and administer this Plan shall be vested in the Board or its delegate. This includes, without limitation, the ability to make factual determinations, construe and interpret provisions of the Plan, reconcile any inconsistencies between provisions in the Plan or between provisions of the Plan and any other statement concerning the Plan, whether oral or written, supply any omissions to the Plan or any document associated with the Plan, and to correct any defect in the Plan or in any document associated with the Plan. Decisions of the Board or its delegate shall be final, conclusive and binding upon all parties, provided, however, that no such decision may adversely affect the rights of any Participant who has been approved for participation in the Plan under the terms of Section 3.03 and whose benefit is determined under the terms of Section 5.01(d) or Section 5.02(b).

7.03 This Plan shall be binding upon Ashland and any successors to the business of Ashland and shall inure to the benefit of the Participants and their beneficiaries, if applicable. Except as otherwise provided in Article VI, the Board or its delegate may, at any time, amend this Plan, retroactively or otherwise, but no such amendment may adversely affect the rights of any Participant who has been approved for participation in the Plan except to the extent that such action is required by law.

7.04 Except as otherwise provided in Section 5.04, no right or interest of the Participants under this Plan shall be subject to voluntary or involuntary alienation, assignment or transfer of any kind.

7.05 This Plan shall be governed for all purposes by the laws of the Commonwealth of Kentucky.

7.06 If any term or provision of this Plan is determined by a court or other appropriate authority to be invalid, void, or unenforceable for any reason, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

EXHIBIT 12

ASHLAND INC.
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
AND EARNINGS TO COMBINED FIXED CHARGES AND
PREFERRED STOCK DIVIDENDS
(In millions)

	Years Ended September 30					Three Months Ended December 31	
	1996	1997	1998	1999	2000	1999	2000
EARNINGS							
Income from continuing operations	$ 115	$ 169	$ 178	$ 291	$ 292	$ 40	$ 59
Income taxes	71	125	114	193	191	28	39
Interest expense	154	148	133	141	189	48	43
Interest portion of rental expense	44	48	40	35	39	9	10
Amortization of deferred debt expense	1	1	1	1	2	-	-
Undistributed earnings of unconsolidated affiliates	(3)	(6)	(62)	(11)	(112)	31	88
Earnings of significant affiliates*	7	7	-	-	-	-	-
	$ 389	$ 492	$ 404	$ 650	$ 601	$ 156	$ 239
FIXED CHARGES							
Interest expense	$ 154	$ 148	$ 133	$ 141	$ 189	$ 48	$ 43
Interest portion of rental expense	44	48	40	35	39	9	10
Amortization of deferred debt expense	1	1	1	1	2	-	-
Capitalized interest	-	1	-	-	-	-	-
Fixed charges of significant affiliates*	6	5	-	-	-	-	-
	$ 205	$ 203	$ 174	$ 177	$ 230	$ 57	$ 53
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS							
Preferred dividend requirements	$ 19	$ 9	$ -	$ -	$ -	$ -	$ -
Ratio of pretax to net income**	1.61	1.74	-	-	-	-	-
Preferred dividends on a pretax basis	30	17	-	-	-	-	-
Fixed charges	205	203	174	177	230	57	53
	$ 235	$ 220	$ 174	$ 177	$ 230	$ 57	$ 53
RATIO OF EARNINGS TO FIXED CHARGES	1.90	2.42	2.32	3.67	2.61	2.71	4.48
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	1.66	2.24	2.32	3.67	2.61	2.71	4.48

* Significant affiliates are companies accounted for on the equity method that are 50% or greater owned or whose indebtedness has been directly or indirectly guaranteed by Ashland or its consolidated subsidiaries.

** Computed as income from continuing operations before income taxes divided by income from continuing operations, which adjusts dividends on preferred stock to a pretax basis.