

REGISTRATION NO. 33-57011

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ASHLAND INC.

(Exact name of Registrant as specified in its charter)

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

1000 ASHLAND DRIVE
RUSSELL, KENTUCKY 41169
(606) 329-3333
(Address, including zip code, and telephone number,
including area code, of Registrants' principal executive offices)

THOMAS L. FEAZELL, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
1000 ASHLAND DRIVE
RUSSELL, KENTUCKY 41169
(606) 329-3333

(Name, address, including zip code and telephone number,
including area code, of agent for service)

COPIES TO:

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NEW YORK, NEW YORK 10019
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NEW YORK, NEW YORK 10017
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
From time to time after the effective date of this Registration Statement.

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED (1)	AMOUNT TO BE REGISTERED (2)(3)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (3)(4)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (4)(5)	AMOUNT OF REGISTRATION FEE (6)
Debt Securities, Debt Warrants, Preferred Stock, Depositary Shares, Preferred Stock Warrants, Common Stock and Common Stock Warrants.....	--	--	\$600,000,000	\$206,898

(1) This Registration Statement also covers (i) Debt Securities, Preferred Stock and Common Stock which may be issued upon exercise of Securities Warrants and (ii) such indeterminate amount of securities as may be issued in exchange for, or upon conversion of, as the case may be, the securities registered hereunder. In addition, any other securities registered hereunder may be sold separately or as units with other securities registered hereunder.

(2) In no event will the aggregate initial offering price of Debt Securities, Debt Warrants, Preferred Stock, Depositary Shares, Preferred Stock

Warrants, Common Stock and Common Stock Warrants issued under this Registration Statement exceed \$600,000,000, or the equivalent thereof in one or more foreign currencies or composite currencies, including European Currency Units.

- (3) Not specified as to each class of securities to be registered pursuant to General Instruction II.D of Form S-3 under the Securities Act.
- (4) The proposed maximum offering price per unit will be determined from time to time by the Registrant in connection with, and at the time of, the issuance by the Registrant of the securities registered hereunder.
- (5) Estimated solely for the purposes of computing the registration fee pursuant to Rule 457(o) of the Securities Act.
- (6) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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

SUBJECT TO COMPLETION, DATED APRIL 12, 1995

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED APRIL __, 1995

U.S. \$200,000,000

Ashland Inc.
Medium-Term Notes, Series G
Due 9 Months or More from Date of Issue

ASHLAND INC., (THE "COMPANY") MAY OFFER AND SELL FROM TIME TO TIME ITS MEDIUM-TERM NOTES (ISSUABLE IN ONE OR MORE SERIES) WITHIN THE UNITED STATES OR OUTSIDE THE UNITED STATES OR BOTH SIMULTANEOUSLY. THE MEDIUM-TERM NOTES, SERIES G (THE "NOTES"), OFFERED BY THIS PROSPECTUS SUPPLEMENT ARE BEING OFFERED IN THE UNITED STATES IN AN AGGREGATE PRINCIPAL AMOUNT OF U.S. \$200,000,000 (OR THE EQUIVALENT THEREOF IF ANY OF THE NOTES ARE DENOMINATED IN FOREIGN CURRENCIES OR CURRENCY UNITS), SUBJECT TO REDUCTION AS A RESULT OF THE SALE OF OTHER SECURITIES (OTHER THAN THE NOTES) PURSUANT TO THE REGISTRATION STATEMENT OF WHICH THE ACCOMPANYING PROSPECTUS IS A PART. SEE "DESCRIPTION OF THE MEDIUM-TERM NOTES--GENERAL" AND "PLAN OF DISTRIBUTION". UNLESS OTHERWISE INDICATED IN A PRICING SUPPLEMENT TO THIS PROSPECTUS SUPPLEMENT (A "PRICING SUPPLEMENT"), THE INTEREST PAYMENT DATES FOR EACH NOTE WILL BE JUNE 15 AND DECEMBER 15 OF EACH YEAR. EACH NOTE WILL MATURE ON A DAY 9 MONTHS OR MORE FROM ITS DATE OF ISSUE, AS SET FORTH ON THE FACE OF SUCH NOTE (THE "STATED MATURITY"). THE INTEREST PAYMENT DATES FOR EACH FLOATING RATE NOTE WILL BE ESTABLISHED ON THE DATE OF SALE AND WILL BE SET FORTH IN EACH SUCH NOTE AND IN THE APPLICABLE PRICING SUPPLEMENT. IF SO INDICATED IN THE APPLICABLE PRICING SUPPLEMENT, SUCH NOTE WILL BE SUBJECT TO REDEMPTION BY THE COMPANY, IN WHOLE OR IN PART, ON AND AFTER THE REDEMPTION DATE, IF ANY, FIXED BY THE COMPANY AT THE TIME OF SALE AND SET FORTH IN THE APPLICABLE PRICING SUPPLEMENT WITH RESPECT TO ANY NOTE (THE "REDEMPTION DATE"), AT 100% OF ITS PRINCIPAL AMOUNT, UNLESS OTHERWISE SPECIFIED, TOGETHER WITH INTEREST TO THE REDEMPTION DATE. THE NOTES MAY BE DENOMINATED IN U.S. DOLLARS, OR IN SUCH FOREIGN CURRENCIES OR CURRENCY UNITS AS MAY BE DESIGNATED BY THE COMPANY ("SPECIFIED CURRENCY"). THE NOTES WILL BE ISSUED ONLY IN FULLY REGISTERED FORM AND FOR NOTES DENOMINATED IN U.S. DOLLARS, IN MINIMUM DENOMINATIONS OF \$1,000 AND ANY INTEGRAL MULTIPLE OF \$1,000 IN EXCESS THEREOF. TERMS RELATING TO NOTES NOT DENOMINATED IN U.S. DOLLARS ("FOREIGN CURRENCY NOTES") OR TO THE REDEMPTION OF THE NOTES WILL BE SET FORTH IN THE APPLICABLE PRICING SUPPLEMENT. SEE "DESCRIPTION OF THE MEDIUM-TERM NOTES".

EACH NOTE WILL BE REPRESENTED BY EITHER A GLOBAL SECURITY (A "GLOBAL NOTE") REGISTERED IN THE NAME OF A NOMINEE OF THE DEPOSITORY TRUST COMPANY, AS DEPOSITORY (THE "DEPOSITORY") (EACH SUCH NOTE REPRESENTED BY A GLOBAL NOTE BEING REFERRED TO HEREIN AS A "BOOK-ENTRY NOTE"), OR A CERTIFICATE ISSUED IN DEFINITIVE FORM (A "CERTIFICATED NOTE"), AS SET FORTH IN THE APPLICABLE PRICING SUPPLEMENT. INTERESTS IN BOOK-ENTRY NOTES WILL BE SHOWN ON, AND TRANSFERS THEREOF WILL BE EFFECTED ONLY THROUGH, THE RECORDS MAINTAINED BY THE DEPOSITORY AND ITS PARTICIPANTS. EXCEPT AS DESCRIBED IN "DESCRIPTION OF THE MEDIUM-TERM NOTES--BOOK-ENTRY NOTES", OWNERS OF BENEFICIAL INTERESTS IN GLOBAL SECURITIES (AS DEFINED IN THE PROSPECTUS) WILL NOT BE ENTITLED TO RECEIVE NOTES IN DEFINITIVE FORM AND WILL NOT BE CONSIDERED THE HOLDERS THEREOF FOR PURPOSES OF THE INDENTURE.

THE INTEREST RATE OR INTEREST RATE FORMULA, IF ANY, ISSUE PRICE AND STATED MATURITY FOR EACH NOTE WILL BE ESTABLISHED BY THE COMPANY AT THE DATE OF SALE OF SUCH NOTE AND WILL BE SET FORTH IN THE APPLICABLE PRICING SUPPLEMENT. UNLESS OTHERWISE INDICATED IN THE APPLICABLE PRICING SUPPLEMENT, THE NOTES WILL BEAR INTEREST AT A FIXED RATE (A "FIXED RATE NOTE") OR A RATE OR RATES DETERMINED BY REFERENCE TO THE COMMERCIAL PAPER RATE, THE PRIME RATE, LIBOR, THE TREASURY RATE, THE FEDERAL FUNDS RATE OR THE CD RATE (A "FLOATING RATE NOTE"), AS ADJUSTED BY A SPREAD OR SPREAD MULTIPLIER (AS SUCH TERMS ARE DEFINED HEREIN), IF ANY, APPLICABLE TO SUCH NOTES. INTEREST RATES AND INTEREST RATE FORMULAS ARE SUBJECT TO CHANGE BY THE COMPANY, BUT NO SUCH CHANGE WILL AFFECT THE INTEREST RATE ON ANY NOTE THEREFORE ISSUED OR WHICH THE COMPANY HAS AGREED TO SELL. SEE "DESCRIPTION OF THE MEDIUM-TERM NOTES".

THE NOTES MAY BE ISSUED AS INDEXED NOTES THE PRINCIPAL AMOUNT OF WHICH, PAYABLE AT STATED MATURITY, AND/OR THE INTEREST, PAYABLE ON EACH INTEREST PAYMENT DATE AND AT STATED MATURITY, WILL BE DETERMINED BY REFERENCE TO CURRENCIES, CURRENCY UNITS, COMMODITY PRICES, FINANCIAL OR NON-FINANCIAL INDICES OR OTHER FACTORS (THE "INDEXED NOTES"), AS INDICATED IN THE APPLICABLE PRICING SUPPLEMENT. SEE "DESCRIPTION OF THE MEDIUM-TERM NOTES--INDEXED NOTES".

UNLESS OTHERWISE INDICATED IN THE APPLICABLE PRICING SUPPLEMENT, A FOREIGN

CURRENCY NOTE WILL NOT BE SOLD IN, OR TO A RESIDENT OF, THE COUNTRY OF THE SPECIFIED CURRENCY IN WHICH SUCH NOTE IS DENOMINATED. SEE "SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES."

FOR A DISCUSSION OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES, SEE "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES".

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

	PRICE TO PUBLIC(1)	AGENTS' COMMISSIONS(2)	NET PROCEEDS TO THE COMPANY(2)(3)
PER NOTE.....	100%	.125%--.750%	99.250%--99.875%
TOTAL(4)(5).....	U.S.\$200,000,000	U.S.\$250,000--U.S.\$1,500,000	U.S.\$198,500,000--U.S.\$199,750,000

- (1) UNLESS OTHERWISE SPECIFIED IN A PRICING SUPPLEMENT, NOTES WILL BE ISSUED AT 100% OF THEIR PRINCIPAL AMOUNT.
 (2) THE COMPANY WILL PAY TO EACH AGENT A COMMISSION RANGING FROM .125% TO .750% OF THE PRINCIPAL AMOUNT OF ANY NOTE, DEPENDING UPON ITS STATED MATURITY, SOLD THROUGH SUCH AGENT. THE COMPANY MAY ALSO SELL NOTES TO ANY AGENT AT OR ABOVE PAR FOR RESALE TO ONE OR MORE INVESTORS OR BROKER-DEALERS AT VARYING PRICES RELATED TO PREVAILING MARKET PRICES AT THE TIME OF RESALE, AS DETERMINED BY SUCH AGENT, WITH AN APPROPRIATE CONCESSION BEING GIVEN TO SUCH AGENT FOR THE RESALE PRICE OF THE NOTES. THE COMMISSION PAYABLE BY THE COMPANY TO THE AGENTS WITH RESPECT TO NOTES WITH MATURITIES GREATER THAN THIRTY YEARS WILL BE NEGOTIATED AT THE TIME THE COMPANY ISSUES SUCH NOTES. IN EACH CASE, THE COMPANY HAS AGREED TO INDEMNIFY THE AGENTS AGAINST CERTAIN LIABILITIES, INCLUDING LIABILITIES UNDER THE SECURITIES ACT OF 1933.
 (3) ASSUMING NOTES ARE ISSUED AT 100% OF PRINCIPAL AMOUNT AND BEFORE DEDUCTING EXPENSES PAYABLE BY THE COMPANY ESTIMATED AT \$150,000.
 (4) IN U.S. DOLLARS OR THE EQUIVALENT THEREOF IN FOREIGN CURRENCIES OR CURRENCY UNITS.
 (5) TO BE REDUCED AS A RESULT OF SALES OF OTHER SECURITIES (OTHER THAN THE NOTES) PURSUANT TO THE REGISTRATION STATEMENT OF WHICH THE ACCOMPANYING PROSPECTUS IS A PART.

 THE NOTES MAY BE OFFERED ON A CONTINUING BASIS BY THE COMPANY THROUGH CS FIRST BOSTON CORPORATION, SALOMON BROTHERS INC AND CITICORP SECURITIES, INC. (THE "AGENTS"), WHICH HAVE AGREED TO USE THEIR REASONABLE EFFORTS TO SOLICIT OFFERS TO PURCHASE THE NOTES. THE NOTES MAY BE SOLD AT OR ABOVE PAR TO ANY AGENT AS PRINCIPAL FOR RESALE TO INVESTORS AT VARYING PRICES RELATED TO PREVAILING MARKET PRICES AT THE TIME OF RESALE AS DETERMINED BY SUCH AGENT. THE COMPANY MAY FROM TIME TO TIME SELL NOTES DIRECTLY ON ITS OWN BEHALF AT OR ABOVE PAR TO INVESTORS, AND ON SUCH SALES NO COMMISSION WILL BE PAID. THE NOTES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE, AND THERE CAN BE NO ASSURANCE THAT THE NOTES WILL BE SOLD OR THAT THERE WILL BE A SECONDARY MARKET FOR THE NOTES. THE COMPANY RESERVES THE RIGHT TO WITHDRAW, CANCEL OR MODIFY THE OFFER OR SOLICITATION OF OFFERS MADE HEREBY WITHOUT NOTICE. THE COMPANY, OR THE SOLICITING AGENT, MAY REJECT ANY OFFER IN WHOLE OR IN PART. SEE "PLAN OF DISTRIBUTION".

CS FIRST BOSTON

SALOMON BROTHERS INC

Citicorp Securities, Inc.

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS APRIL __, 1995

IN CONNECTION WITH THE DISTRIBUTION OF THE NOTES, THE AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY OR OTHER DEBT SECURITIES OF THE COMPANY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

DESCRIPTION OF THE MEDIUM-TERM NOTES

The following description of the particular terms of the Notes offered hereby supplements and to the extent inconsistent therewith replaces the description of the general terms of the Debt Securities set forth under the heading "Description of Debt Securities" in the accompanying Prospectus, to which description reference is made. The Notes are referred to in the Prospectus as the "Debt Securities". Capitalized terms not defined under this heading have the meanings ascribed to them in the Indenture.

GENERAL

The Notes offered hereby will be issued under the Indenture (the "Indenture") referred to in the accompanying Prospectus with Citibank, N.A., as Trustee (the "Trustee"). The Notes offered hereby constitute a single series for purposes of the Indenture. The aggregate proceeds for which the Notes offered hereby may be issued is limited to U.S. \$200,000,000 (or the equivalent thereof in foreign currencies or currency units), less an amount equal to the proceeds from the sale of other Securities (other than the Notes) pursuant to the Registration Statement of which the accompanying Prospectus is a part. See "Plan of Distribution". Unless otherwise indicated in the applicable Pricing Supplement, currency amounts in this Prospectus Supplement, the accompanying Prospectus and any Pricing Supplement are stated in United States dollars ("\$", "dollars", "U.S. dollars" or "U.S.\$").

Each Note will mature on a day 9 months or more from the date of issue, as selected by the initial purchaser and agreed to by the Company and as specified in the applicable Pricing Supplement. "Business Day" means any day, other than a Saturday or Sunday, that meets each of the following applicable requirements: the day is (a) not a day on which banking institutions are authorized or required by law or regulation to be closed in The City of New York, (b) if the Note is denominated in a Specified Currency other than the European Currency Unit as defined and revised from time to time by the Council of the European Communities ("ECU") or United States dollars, not a day on which banking institutions are authorized or required by law or regulation to close in the financial center of the country issuing the Specified Currency, (c) if the Note is denominated in ECU, any day that is designated as an ECU settlement day by the ECU Banking Association in Paris or otherwise generally regarded in the ECU interbank market as a day on which payments in ECU are made, and (d) with respect to LIBOR Notes, a London Banking Day. "London Banking Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market.

The Notes will be issuable only in fully registered form, and if denominated in U.S. dollars, in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The authorized denominations of Notes not denominated in U.S. dollars will be set forth in the applicable Pricing Supplement.

The Notes are unsecured obligations of the Company and will rank on a parity with the Company's other unsecured and unsubordinated indebtedness and senior to the Company's subordinated indebtedness. Except as described in the accompanying Prospectus under the headings "Certain Restrictive Provisions--Limitations on Liens" and "--Limitations on Sale and Lease-Back," the Indenture does not contain any provision that restricts or otherwise regulates the Company's ability to incur additional indebtedness ranking senior, PARI PASSU or junior to the Notes.

Each Note will be issued initially as either a Book-Entry Note or a Certificated Note. See "Book-Entry Notes".

Unless otherwise indicated in the applicable Pricing Supplement, the Notes will be denominated in U.S. dollars and payments of principal, premium, if any, and any interest on the Notes will be made in U.S. dollars. If any of the Notes are to be denominated in a foreign currency (one other than U.S. dollars) or currency unit, or if the principal, premium, if any, and any interest on any of the Notes is to be payable at the option of the holder or the Company in a currency, including a currency unit, other than that in which such Note is denominated, the applicable Pricing Supplement will provide additional information, including applicable exchange rate information, pertaining to the terms of such Notes and other matters of interest to the holders thereof. See also "Special Provisions Relating to Foreign Currency Notes".

A Note is not subject to redemption by the Company prior to the Redemption Date fixed at the time of sale and set forth in the applicable Pricing Supplement. If no Redemption Date is indicated with respect to a Note, such Note is not redeemable prior to its Stated Maturity. Unless otherwise indicated in the applicable Pricing Supplement, on or after the indicated Redemption Date, the related Note will be redeemable in whole or in part in increments of \$1,000 at the option of the Company at a redemption price equal to 100% of the principal amount to be redeemed, together with interest thereon payable to the date of redemption, on notice given not more than 60 nor less than 30 days prior to the Redemption Date. The Notes will not have a sinking fund unless otherwise specified in the applicable Pricing Supplement.

The Company may provide that any Note will be repayable at the option of the holder thereof, at such times and on such terms and conditions as are set forth in such Note and described in the applicable Pricing Supplement.

Payments of principal, premium, if any, and interest on Book-Entry Notes will be made to the Depository, or its nominee, as Holder thereof, in accordance with arrangements then in effect between the Trustee and the Depository. Unless otherwise specified in the applicable Pricing Supplement, payments of principal, premium, if any, and interest on Certificated Notes will be made in immediately available funds at the office of the Paying Agent in the Borough of Manhattan, The City of New York, or such other office or agency as the Company may designate, provided that payments in such funds will be made only if such Certificated Notes are presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its normal procedures. The Company has initially designated Citibank, N.A., acting through its principal corporate trust office in the Borough of Manhattan, The City of New York, as its Paying Agent for the Certificated Notes. The Company, at its option, may pay interest on the Notes (other than interest payable at Maturity) by check mailed to the person entitled thereto (which, in the case of Book-Entry Notes, will be a nominee of the Depository).

Certificated Notes may be presented for registration of transfer or exchange at the Corporate Trust Office of the Trustee in the Borough of Manhattan, The City of New York.

Except as described in the accompanying Prospectus under the heading "Certain Rights to Require Purchase of Securities by Ashland Upon Unapproved Change in Control and Decline in Debt Rating", the Indenture does not contain any covenants or provisions designed to protect the holders of the Notes in the event that the Company enters into a transaction that adversely affects the Company's debt-to-equity ratio.

For a description of the rights attaching to different series of Debt Securities under the Indenture, see "Description of Debt Securities" in the Prospectus.

BOOK-ENTRY NOTES

Upon issuance, all Notes in book-entry form having the same original issuance date, Stated Maturity and otherwise having identical terms and provisions will be represented by a Global Note.

Each Global Note representing Book-Entry Notes will be deposited with, or on behalf of, the Depository, and registered in the name of a nominee of the Depository. Book-Entry Notes will not be exchangeable at the option of the holder for Certificated Notes and, except under the circumstances described in the accompanying Prospectus, will not otherwise be issuable in definitive form.

The Depository has advised the Company and the Agents as follows: The Depository is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. The Depository was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (including the Agents), banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own the Depository. Access to the Depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

A further description of the Depository's procedures with respect to Global Securities representing Book-Entry Notes is set forth in the accompanying Prospectus under "Description of Debt Securities--Global Securities". The Depository has confirmed to the Company, the Agents and the Trustee that it intends to follow such procedures.

INTEREST

Each interest bearing Note will bear interest from and including the date of issuance, or from and including the most recent Interest Payment Date (or, if such Note is a Floating Rate Note and the Interest Reset Date (as defined herein) is daily or weekly, the day following the most recent regular record date (a "Regular Record Date")) to which interest on such Note has been paid or duly provided for, at the fixed rate per annum, or at the rate per annum determined pursuant to the interest rate formula, stated therein and in the applicable Pricing Supplement, until the principal thereof is paid or made available for payment. Interest payments, if any, will be in the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid or duly provided for, or from and including the date of issue, if no interest has been paid with respect to such Note, to but excluding the applicable Interest Payment Date. However, unless otherwise specified in the applicable Pricing Supplement, in the case of Floating Rate Notes on which the interest rate is reset daily or weekly, the interest payments (other than interest payments on any date on which principal is payable) will include interest accrued from but excluding the second preceding Regular Record Date, or from and including the date of issue, if no interest has been paid with respect to such Note, through and including the Regular Record Date next preceding the applicable Interest Payment Date, except that interest paid at Maturity will include interest accrued to but excluding such date. "Maturity" means the date on which the principal of a Note becomes due, whether at Stated Maturity, upon redemption or otherwise.

Interest, if any, will be payable at each Interest Payment Date and at Maturity. See "Description of Debt Securities--Payment and Paying Agents" in the Prospectus. Interest will be payable to the Person (which, in the case of a Book-Entry Note, shall be the Depository) in whose name a Note is registered at the close of business on the Regular Record Date next preceding each Interest Payment Date; PROVIDED, HOWEVER, that interest payable at Maturity or, if applicable, upon redemption, will be payable to the Person (which, in the case of a Book-Entry Note, shall be the Depository) to whom principal shall be payable. Unless otherwise specified in the applicable Pricing Supplement, the first payment of interest on any Note (other than a Floating Rate Note on which interest is reset daily or weekly) originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner on such Regular Record Date.

The Company will select an interest rate or interest rate formula for each issue of Notes based on market conditions at the time of issuance, taking into account, among other things, expectations concerning the level of interest rates that will prevail during the period the Notes will be outstanding, the relative attractiveness of such interest rate or interest rate formula to prospective investors and the Company's financial needs. Unless otherwise provided in the applicable Pricing Supplement, Citibank, N.A., will be the calculation agent (the "Calculation Agent") with respect to the Floating Rate Notes.

Interest rates, or interest rate formulas, are subject to change by the Company from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Company.

FIXED RATE NOTES

The applicable Pricing Supplement relating to a Fixed Rate Note will designate a fixed rate of interest per annum payable on such Fixed Rate Note. Unless otherwise indicated in the applicable Pricing Supplement, the Interest Payment Dates with respect to Fixed Rate Notes will be June 15 and December 15 of each year and at Maturity and the Regular Record Dates for such Notes will be the June 1 and December 1 next preceding the June 15 and December 15 Interest Payment Dates. Unless otherwise indicated in the applicable Pricing Supplement, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any Interest Payment Date or the Maturity of a Fixed Rate Note falls on a day that is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or Maturity, as the case may be.

FLOATING RATE NOTES

The applicable Pricing Supplement relating to a Floating Rate Note will designate an interest rate basis for such Floating Rate Note, which may be adjusted by adding or subtracting the Spread or multiplying by the Spread Multiplier (as defined below) as specified in the applicable Pricing Supplement. Such basis may be: (a) the Commercial Paper Rate, in which case such Note will be a Commercial Paper Rate Note, (b) the Prime Rate, in which case such Note will be a Prime Rate Note, (c) LIBOR, in which case such Note will be a LIBOR Note, (d) the Treasury Rate, in which case such Note will be a Treasury Rate Note, (e) the Federal Funds Rate, in which case such Note will be a Federal Funds Rate Note, (f) the CD Rate, in which case such Note will be a CD Rate Note, or (g) such other interest rate formula as is set forth in such Pricing Supplement. In addition, a Floating Rate Note may bear interest at the lowest or highest or average of two or more interest rate formulae. The applicable Pricing Supplement for a Floating Rate Note also will specify the Spread or Spread Multiplier, if any, applicable to each Note. In addition, such Pricing Supplement will define or particularize for each Note the following terms, if applicable: Calculation Date, Initial Interest Rate, Interest Payment Dates, Regular Record Dates, Index Maturity (as defined below), Interest Determination Dates and Interest Reset Dates with respect to such Note. The "Spread" is the number of basis points specified in the applicable Pricing Supplement as being applicable to the interest rate for such Note and the "Spread Multiplier" is the percentage specified in the applicable Pricing Supplement as being applicable to the interest rate for such Note. "Index Maturity" means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Pricing Supplement.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually (each an "Interest Reset Date"), as specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the Interest Reset Date will be, in the case of Floating Rate Notes which reset daily, each Business Day; in the case of Floating Rate Notes (other than Treasury Rate Notes) which reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes which reset weekly, except as provided below, the Tuesday of each week; in the case of Floating Rate Notes which reset monthly, the third Wednesday of each month; in the

case of Floating Rate Notes which reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes which reset semi-annually, the third Wednesday of two months of each year, as specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes which reset annually, the third Wednesday of one month of each year, as specified in the applicable Pricing Supplement. The rate of interest on a Floating Rate Note in effect on any day will be (i) if such day is an Interest Reset Date with respect to such Floating Rate Note, the interest rate on such Floating Rate Note determined as of the Interest Determination Date pertaining to such Interest Reset Date, or (ii) if such day is not an Interest Reset Date with respect to such Floating Rate Note, the interest on such Floating Rate Note determined as of the Interest Determination Date pertaining to the immediately preceding Interest Reset Date with respect to such Floating Rate Note; PROVIDED, HOWEVER, that (a) the interest rate in effect from the date of issue to but excluding the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate (as set forth in the applicable Pricing Supplement) and (b) the interest rate in effect for the ten days immediately prior to Maturity will be that in effect on the tenth day preceding such Maturity. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day for such Floating Rate Note, the Interest Reset Date for such Floating Rate Note shall be postponed to the next day that is a Business Day for such Floating Rate Note, except that in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

The Interest Determination Date pertaining to an Interest Reset Date for a Commercial Paper Rate Note (the "Commercial Paper Interest Determination Date"), for a Prime Rate Note (the "Prime Rate Interest Determination Date"), for a Federal Funds Rate Note (the "Federal Funds Interest Determination Date") and for a CD Rate Note (the "CD Interest Determination Date") will be the second Business Day preceding the Interest Reset Date with respect to such Note. The Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note (the "LIBOR Interest Determination Date") will be the second London Banking Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the "Treasury Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date shall instead be the first Business Day immediately following such auction date.

A Floating Rate Note may also have either or both of the following: (a) a maximum numerical interest rate limitation, or ceiling, on the rate of interest which may accrue during any interest period; and (b) a minimum numerical interest rate limitation, or floor, on the rate of interest which may accrue during any interest period, as specified in the applicable Pricing Supplement. In addition to any maximum interest rate which may be applicable to any Floating Rate Note pursuant to the above provisions, assuming that a court would enforce the provisions of the Notes and the Indenture specifying New York law as the governing law, the interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law the maximum rate of interest is 25% per annum on a simple interest basis. The limit may not apply to Floating Rate Notes in which \$2,500,000 or more has been invested.

Unless otherwise indicated in the applicable Pricing Supplement and except as provided below, interest will be payable, in the case of Floating Rate Notes which reset weekly, on the third Wednesday of March, June, September and December of each year, in the case of Floating Rate Notes which reset daily or monthly, on the third Wednesday of each month or on the third Wednesday of March, June,

September and December of each year (as indicated in the applicable Pricing Supplement); in the case of Floating Rate Notes which reset quarterly, on the third Wednesday of March, June, September and December of each year, in the case of Floating Rate Notes which reset semi-annually, on the third Wednesday of the two months of each year specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes which reset annually, on the third Wednesday of the month specified in the applicable Pricing Supplement (each an "Interest Payment Date"), and in each case, at Maturity. If an Interest Payment Date (other than an Interest Payment Date at Maturity) with respect to any Floating Rate Note would otherwise fall on a day that is not a Business Day with respect to such Note, such Interest Payment Date will be the following day that is a Business Day with respect to such Note, except that in the case of a LIBOR Note, if such day falls in the next calendar month, such Interest Payment Date will be the preceding day that is a Business Day with respect to such LIBOR Note. If the Maturity of a Floating Rate Note falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest will be made on the next succeeding Business Day, and no interest on such payment shall accrue from and after such Maturity. Unless otherwise indicated in the applicable Pricing Supplement, the Regular Record Date with respect to Floating Rate Notes shall be the date 15 calendar days prior to each Interest Payment Date, whether or not such date shall be a Business Day.

Unless otherwise specified in the applicable Pricing Supplement, the interest accrued from and including the date of issue, or from and including the last date to which interest has been paid or duly provided for, is calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in such period from and including the date of issue, or from and including the last date to which interest has been paid or duly provided for, as the case may be, to but excluding the date for which accrued interest is being calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such date by 360, in the case of Commercial Paper Rate Notes, LIBOR Notes, Federal Funds Rate Notes or CD Rate Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes and Prime Rate Notes. The interest factor for Notes for which two or more interest rate formulae are applicable will be calculated in each period in the same manner as if only the lowest, highest or average of, as the case may be, such interest rate formulae applied.

Unless otherwise specified in the applicable Pricing Supplement, all percentages resulting from any calculation on Floating Rate Notes will be rounded, upwards if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .9876545) being rounded to 9.87655% (or .987655) and 9.876544% (or .9876544) being rounded to 9.87654% (or .987654)), and all dollar amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest cent or, in the case of Foreign Currency Notes, the nearest unit (with one-half cent or five one-thousandths of a unit being rounded upwards).

Upon the request of the holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect, and, if determined, the interest rate which will become effective as a result of a determination made on the most recent Interest Determination Date with respect to such Floating Rate Note.

Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date", if applicable, pertaining to any Interest Determination Date, will be the earlier of (i) the tenth calendar day after such Interest Determination Date, or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

COMMERCIAL PAPER RATE NOTES.—Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of the Commercial Paper Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Commercial Paper Interest Determination Date, the Money Market Yield (as defined below) of the rate on such date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "Commercial Paper". In the event that such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate on such Commercial Paper Interest Determination Date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities" ("Composite Quotations") under the heading "Commercial Paper". If such rate is not yet published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate for such Commercial Paper Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date for commercial paper having the Index Maturity designated in the applicable Pricing Supplement placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate then in effect on such Commercial Paper Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage rounded to the next higher one-hundred thousandth of a percentage point) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{\text{DX360} - 360 - (\text{DXM})}{360 - (\text{DXM})} \times 100$$

where "D" refers to the per annum rate for the commercial paper, quoted on a bank-discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

PRIME RATE NOTES. Prime Rate Notes will bear interest at the interest rates (calculated with reference to the Prime Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of the Prime Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Prime Rate" means, with respect to any Prime Rate Interest Determination Date, the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 365 or 366 days, as the case may be, as of the close of business on such Prime Rate Interest Determination Date by three major money center banks in The City of New York selected by the Calculation Agent. If fewer than three such quotations are provided, the Prime Rate shall be determined on the basis of the rates furnished in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, having total equity capital of at least \$500 million and being subject to supervision or examination by Federal or state authority, selected by the Calculation Agent to provide such rate or rates; PROVIDED, HOWEVER, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate will be the Prime Rate then in effect on such Prime Rate Interest Determination Date.

LIBOR NOTES. LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of such LIBOR Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, LIBOR will be determined by the Calculation Agent in accordance with the following provisions: On each LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rate for deposits in U.S. dollars having the Index Maturity specified in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date, which appears on the Telerate Page 3750 as of 11:00 A.M., London time, on that LIBOR Interest Determination Date. If such rate does not so appear on the Telerate Page 3750, the rate in respect of such LIBOR Interest Determination Date will be determined on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market, selected by the Calculation Agent at approximately 11:00 A.M., London time, on the LIBOR Interest Determination Date next preceding the relevant Interest Reset Date, to prime banks in the London interbank market for a period of the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than \$1,000,000 that is representative for a single transaction in such market at such time. In such case, the Calculation Agent will request the principal London office of each of the aforesaid major banks to provide a quotation of such rate. If at least two such quotations are provided in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the quotations, and, if fewer than two quotations are provided as requested in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the rates quoted by three major banks in The City of New York, selected by the Calculation Agent (which may include one or more of the Agents or their affiliates), at approximately 11:00 A.M., New York City time, on that LIBOR Interest Determination Date for loans in U.S. dollars to leading European banks for a period of the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than \$1,000,000 that is representative for a single transaction in such market at such time; PROVIDED, HOWEVER, if the aforesaid rate cannot be determined by the Calculation Agent, LIBOR in respect of such LIBOR Interest Determination Date will be LIBOR then in effect on such LIBOR Interest Determination Date.

"Telerate Page 3750" means the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices relating to LIBOR).

TREASURY RATE NOTES. Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified on the face of such Treasury Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Treasury Rate" means, with respect to any Treasury Interest Determination Date, the rate for the most recent auction of direct obligations of the United States ("Treasury bills") having the Index Maturity designated in the applicable Pricing Supplement as published in H.15(519) under the heading "U.S. Government Securities--Treasury Bills--Auction Average (Investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, the Treasury Rate will be the auction average rate, expressed as a Bond Equivalent Yield (calculated as described below), for such auction as otherwise announced by the United States Department of the Treasury. If the results of the auction of Treasury bills having the Index Maturity designated in the applicable Pricing Supplement are not published or announced as provided above by 3:00 P.M., New York City time, on such Calculation Date or if no such auction is held in a particular week, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity, expressed as a Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the Index Maturity designated in the applicable Pricing Supplement; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation

Agent are not quoting as mentioned in this sentence, the Treasury Rate with respect to such Treasury Interest Determination Date will be the Treasury Rate then in effect on such Treasury Interest Determination Date.

"Bond Equivalent Yield" shall be a yield calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{\text{DXN}}{360 - (\text{DXM})} \times 100$$

where "D" refers to the per annum rate for Treasury bills, quoted on a bank-discount basis and expressed as a decimal; "N" refers to the actual number of days in the year for which interest is being calculated; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

FEDERAL FUNDS RATE NOTES. Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified in the Federal Funds Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "Federal Funds Rate" means, with respect to any Federal Funds Interest Determination Date, the rate on that day for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Interest Determination Date, the Federal Funds Rate will be the rate on such Federal Funds Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate". If such rate is not yet published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Federal Funds Interest Determination Date, then the Federal Funds Rate for such Federal Funds Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates prior to 9:00 A.M., New York City time, on such Federal Funds Interest Determination Date for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; PROVIDED, HOWEVER, that if the brokers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate with respect to such Federal Funds Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Interest Determination Date.

CD RATE NOTES. CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread or Spread Multiplier, if any), and will be payable on the dates, specified in the CD Rate Note and in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Pricing Supplement, "CD Rate" means, with respect to any CD Interest Determination Date, the rate on such date for negotiable certificates of deposit having the Index Maturity designated in the applicable Pricing Supplement as published in H.15(519) under the heading "CDs (Secondary Market)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such CD Interest Determination Date, the CD Rate will be the rate on such CD Interest Determination Date for negotiable certificates of deposit of the Index Maturity designated in the applicable Pricing Supplement as published in Composite Quotations under the heading "Certificates of Deposit". If such rate is not published by 3:00 P.M., New York City time, on such Calculation Date, then the CD Rate on such CD Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of the opening of business, New York City time, on such CD Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity designated in the applicable Pricing Supplement in

a denomination of \$5,000,000; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate with respect to such CD Interest Determination Date will be the CD Rate in effect on such CD Interest Determination Date.

INDEXED NOTES

Notes may be issued as Indexed Notes, as indicated in the applicable Pricing Supplement. Holders of Indexed Notes may receive a principal amount at Maturity that is greater than or less than the face amount of such Note depending upon the fluctuation of the relative value, rate or price of the specified index. Specific information pertaining to the method for determining the principal amount payable at Maturity, a historical comparison of the relative value, rate or price of the specified index and the face amount of the Indexed Note and certain additional tax considerations will be described in the applicable Pricing Supplement.

SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

GENERAL

Unless otherwise indicated in the applicable Pricing Supplement, the Notes will be denominated in U.S. dollars and payments of principal of and interest on the Notes will be made in U.S. dollars. If any of the Notes are to be denominated in a currency or currency unit other than U.S. dollars, the following provisions shall apply, which are in addition to, and to the extent inconsistent therewith replace, the description of general terms and provisions of Notes set forth in the accompanying Prospectus and elsewhere in this Prospectus Supplement.

Foreign Currency Notes are issuable in registered form only, without coupons. The denominations for particular Foreign Currency Notes will be specified in the applicable Pricing Supplement.

Unless otherwise provided in the applicable Pricing Supplement, payment of the purchase price of Foreign Currency Notes will be made in immediately available funds.

Notes denominated in Specified Currencies other than European Currency Units will not be sold in, or to residents of, the country of the Specified Currency in which particular Notes are denominated except as otherwise specified in the applicable Pricing Supplement.

CURRENCIES

Unless otherwise specified in the applicable Pricing Supplement, purchasers are required to pay for Foreign Currency Notes in the Specified Currency. At the present time there are limited facilities in the United States for the conversion of U.S. dollars into the Specified Currencies and vice versa, and banks do not generally offer non-U.S. dollar checking or savings account facilities in the United States. However, if requested on or prior to the fifth Business Day preceding the date of delivery of the Notes, or by such other day as determined by the Agent who presented such offer to purchase Notes to the Company, such Agent may at its discretion arrange for the conversion of U.S. dollars into the Specified Currency set forth in the applicable Pricing Supplement to enable the purchasers to pay for the Notes. Each such conversion, if any, will be made on such terms and subject to such conditions, limitations and charges as the person making such conversion may from time to time establish in accordance with its regular foreign exchange practices. All costs of exchange will be borne by the purchasers of the Notes.

Specific information about the foreign currency or currency units in which a particular Foreign Currency Note is denominated, including historical exchange rates and a description of the currency and any exchange controls, will be contained in the applicable Pricing Supplement.

PAYMENT OF PRINCIPAL AND INTEREST

The principal of and interest on Foreign Currency Notes are payable by the Company in U.S. dollars. However, unless otherwise specified in the applicable Pricing Supplement, the holder of a Foreign Currency Note may elect to receive such payments in the Specified Currency as described below. Unless otherwise

specified in the applicable Pricing Supplement, the Exchange Rate Agent will determine the rate of conversion for all payments of principal of and interest on Foreign Currency

Notes to U.S. dollars. "Exchange Rate Agent" means the agent appointed by the Company to make such determinations. Unless otherwise specified in a Pricing Supplement, the Exchange Rate Agent shall be Citibank, N.A.

Unless otherwise specified in the applicable Pricing Supplement, any U.S. dollar amount to be received by a holder of a Foreign Currency Note will be based on the indicative spot quotation which will yield the largest number of U.S. dollars upon conversion of the Specified Currency, out of indicative spot quotations in The City of New York received by the Exchange Rate Agent at approximately 11:00 A.M., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) obtained from Reuters or, if quotes from Reuters are not available, the Telerate foreign exchange quotation service for the purchase by the quoting dealer of the Specified Currency for U.S. dollars for settlement on such payment date; PROVIDED HOWEVER, that if fewer than three such quotes are available, such dollar amount shall be based on an applicable rate published by the Federal Reserve Bank of New York. If such bid quotations and such rate published by the Federal Reserve Bank are not available, payments will be made in the Specified Currency. Unless otherwise specified in the applicable Pricing Supplement, all currency exchange costs will be borne by the holder of the Foreign Currency Note by deductions from such payments.

Unless otherwise specified in the applicable Pricing Supplement, a holder of Foreign Currency Notes may elect to receive payment of the principal of and interest on the Notes in the Specified Currency by transmitting a written request for such payment to the corporate trust department of Citibank, N.A. in the Borough of Manhattan, The City of New York on or prior to the Regular Record Date or at least sixteen days prior to Maturity, as the case may be. Such request shall be in writing (mailed or hand delivered) or by cable, telex or other form of facsimile transmission. A holder of a Foreign Currency Note may elect to receive payment in the Specified Currency for all principal and interest payments and need not file a separate election for each payment. Such election will remain in effect until revoked by written notice to Citibank, N.A. in the Borough of Manhattan, The City of New York, but written notice of any such revocation must be received by Citibank, N.A. in the Borough of Manhattan, The City of New York on or prior to the Regular Record Date or at least sixteen days prior to Maturity, as the case may be. Holders of Foreign Currency Notes whose Foreign Currency Notes are to be held in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in the Specified Currency may be made.

Interest on and principal of Foreign Currency Notes paid in U.S. dollars will be paid in the manner specified in the accompanying Prospectus and elsewhere in this Prospectus Supplement for interest on and principal of Notes denominated in U.S. dollars. Interest on Foreign Currency Notes paid in the Specified Currency will be paid by a check drawn on an account maintained at a bank outside the United States, unless other arrangements have been made. The principal of Foreign Currency Notes paid in the Specified Currency, together with interest accrued and unpaid thereon, due at Maturity will be paid in immediately available funds by wire transfer to such account maintained with a bank outside the United States (unless other arrangements have been made) as shall have been designated at least sixteen days prior to Maturity by the holders thereof so long as such Foreign Currency Notes are presented to the Trustee or the Paying Agents designated in the applicable Pricing Supplement in time for the Trustee or such Paying Agents to make such payments in such funds. Any payment of principal or interest required to be made on an Interest Payment Date or at Maturity of a Foreign Currency Note which is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or at Maturity, as the case may be, and no interest shall accrue for the period from and after such Interest Payment Date or Maturity.

PAYMENT CURRENCY

If a Specified Currency is not available for the payment of principal or interest with respect to a Foreign Currency Note due to the imposition of exchange controls or other circumstances beyond the control of the Company, the Company will be entitled to satisfy its obligations to holders of Foreign

Currency Notes by making such payment in U.S. dollars on the basis of the Market Exchange Rate on the date of such payment, or if such Market Exchange Rate is not then available, on the basis of the most recently available Market Exchange Rate. See "Foreign Currency Risks--Exchange Rates and Exchange Controls". "Market Exchange Rate" for any Specified Currency means the noon buying rate in The City of New York for cable transfers for such Specified Currencies as certified for customs purposes by the Federal Reserve Bank of New York.

FOREIGN CURRENCY RISKS

GENERAL

EXCHANGE RATES AND EXCHANGE CONTROLS. An investment in Notes that are denominated in a Specified Currency entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the U.S. dollar and the various foreign currencies and the possibility of the imposition or modification of foreign controls by either the U.S. or foreign governments. Such risks generally depend on economic and political events over which the Company has no control. In recent years, rates of exchange between U.S. dollars and certain foreign currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Note. Depreciation of the currency specified in a Note against the U.S. dollar would result in a decrease in the effective yield of such Note below its coupon rate, and in certain circumstances could result in a loss to the investor on a U.S. dollar basis.

THIS PROSPECTUS SUPPLEMENT AND THE ATTACHED PROSPECTUS DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN NOTES DENOMINATED IN A FOREIGN CURRENCY OR A CURRENCY UNIT AND THE COMPANY DISCLAIMS ANY RESPONSIBILITY TO ADVISE PROSPECTIVE PURCHASERS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THIS PROSPECTUS SUPPLEMENT OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN NOTES DENOMINATED IN CURRENCIES OTHER THAN U.S. DOLLARS. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

The information set forth in this Prospectus Supplement is directed to prospective purchasers who are United States residents, and the Company disclaims any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal of and interest on the Notes. Such persons should consult their own counsel with regard to such matters.

GOVERNING LAW AND JUDGMENTS. The Notes will be governed by and construed in accordance with the laws of the State of New York. An amendment to the Judiciary Law of the State of New York adopted in 1987 provides that a judgment or decree in an action based upon an obligation denominated in a currency other than U.S. dollars will be rendered in the foreign currency of the underlying obligation converted into U.S. dollars at a rate of exchange prevailing on the date of entry of the judgment or decree.

EXCHANGE CONTROLS AND AVAILABILITY OF SPECIFIED CURRENCY. Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal of, and premium, if any, or interest on a Note. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note would not be available at such Note's Maturity. In that event, the Company would make required payments in U.S. dollars on the basis of the Market Exchange Rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the most recently available Market Exchange Rate. See "Special Provisions Relating to Foreign Currency Notes--Payment Currency."

Information concerning exchange rates for the Specified Currency in which principal of, premium, if any, and interest on the Notes is payable, as against the U.S. dollar at selected times during the last five years, as well as exchange controls affecting such currencies, will be set forth in the applicable Pricing Supplement. The information concerning exchange rates will be furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the principal United States Federal income tax consequences resulting from the beneficial ownership of Notes by certain persons. This summary does not purport to consider all the possible United States Federal tax consequences of the purchase, ownership or disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. It deals only with Notes and currencies or composite currencies other than U.S. dollars ("Foreign Currency") held as capital assets. Moreover, except as expressly indicated, it addresses initial purchasers and does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Notes (or Foreign Currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Note and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "Non-United States Holders", this summary is not applicable to non-United States persons not subject to United States Federal income tax on their worldwide income. This summary is based upon the United States Federal tax laws and regulations as now in effect and as currently interpreted and does not take into account possible changes in such tax laws or such interpretations, any of which may be applied retroactively. It does not include any description of the tax laws of any state, local or foreign governments that may be applicable to the Notes or Holders thereof, and it does not discuss the tax treatment of Notes denominated in certain hyperinflationary currencies or dual currency Notes. Persons considering the purchase of Notes should consult their own tax advisors concerning the application of the United States Federal tax laws to their particular situations as well as any consequences to them under the laws of any other taxing jurisdiction.

UNITED STATES HOLDERS

PAYMENTS OF INTEREST

In general, interest on a Note, whether payable in U.S. dollars or a Foreign Currency (other than certain payments on a Discount Note, as defined and described below under "Original Issue Discount"), will be taxable to a beneficial owner who or which is (i) a citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof (including the District of Columbia) or (iii) a person otherwise subject to United States Federal income taxation on its worldwide income (a "United States Holder") as ordinary income at the time it is received or accrued, depending on the Holder's method of accounting for tax purposes. If an interest payment is denominated in or determined by reference to a Foreign Currency, then special rules, described below under "Foreign Currency Notes", apply.

ORIGINAL ISSUE DISCOUNT

The following discussion summarizes the United States Federal income tax consequences to United States Holders of Notes issued with original issue discount for Federal income tax purposes ("OID"). United States Holders of a Note issued with OID generally will be subject to special tax accounting rules provided in the Internal Revenue Code of 1986, as amended (the "Code"). On February 4, 1994, the Treasury Department published final regulations (the "OID Regulations"), which expand and illustrate the rules provided by the Code.

Special rules apply to OID on a Discount Note that is denominated in Foreign Currency. See "Foreign Currency Notes--Foreign Currency Discount Notes".

GENERAL. A Note will be treated as issued with OID (a "Discount Note") if the excess of the Note's "stated redemption price at maturity" over its issue price is greater than a DE MINIMIS amount (set forth in the Code and the OID Regulations). Generally, the issue price of a Note (or any Note that is part of an issue of Notes) will be the first price at which a substantial amount of Notes that are part of such issue of Notes are sold (other than to underwriters, placement agents or wholesalers). Under the OID Regulations, the "stated redemption price at maturity" of a Note is the sum of all payments provided by the Note that are not payments of "qualified stated interest". A "qualified stated interest" payment includes any stated interest payment on a Note that is unconditionally payable at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments. The Pricing Supplement will state whether a particular issue of Notes will constitute an issue of Discount Notes.

In general, if the excess of a Note's stated redemption price at maturity over its issue price is DE MINIMIS, then such excess constitutes "DE MINIMIS OID". Under the OID Regulations, unless the election described below under "Election to Treat All Interest as Original Issue Discount" is made, such a Note will not be treated as issued with OID (in which case the following paragraphs under "Original Issue Discount" will not apply) and a United States Holder of such a Note will recognize capital gain with respect to such DE MINIMIS OID as stated principal payments on the Note are made. The amount of such gain with respect to each such payment will equal the product of the total amount of the Note's DE MINIMIS OID and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note.

In certain cases, Notes that bear stated interest and are issued at par may be deemed to bear OID for Federal income tax purposes, with the result that the inclusion of interest in income for Federal income tax purposes may vary from the actual cash payments of interest made on such Notes, generally accelerating income for cash method taxpayers. Under the OID Regulations, a Note may be a Discount Note where, among other things, (i) a Floating Rate Note provides for a maximum interest rate or a minimum interest rate that is reasonably expected as of the issue date to cause the yield on the debt instrument to be significantly less, in the case of a maximum rate, or more, in the case of a minimum rate, than the expected yield determined without the maximum or minimum rate, as the case may be; (ii) a Floating Rate Note provides for significant front-loading or back-loading of interest; or (iii) a Note bears interest at a floating rate in combination with one or more other floating or fixed rates. Notice will be given in the applicable Pricing Supplement when the Company determines that a particular Note will be a Discount Note. Unless specified in the applicable Pricing Supplement, Floating Rate Notes will not be Discount Notes.

The Code and the OID Regulations provide rules that require a United States Holder of a Discount Note having a maturity of more than one year from its date of issue to include OID in gross income before the receipt of cash attributable to such income, without regard to the Holder's method of accounting for tax purposes. The amount of OID includible in gross income by a United States Holder of a Discount Note is the sum of the "daily portions" of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year in which the United States Holder holds such Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Under the OID Regulations, accrual periods with respect to a Note may be any set of periods (which may be of varying lengths) selected by the United States Holder as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on the first day or final day of an accrual period.

The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any payments of qualified stated interest on the Discount Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of the first accrual period is the issue price and at the beginning of any accrual period thereafter is (x) the sum of the issue price of such Discount Note, the accrued OID for

each prior accrual period (determined without regard to the amortization of any acquisition premium or bond premium, which are discussed below), and the amount of any qualified stated interest on the Note that has accrued prior to the beginning of the accrual period but is not payable until a later date, less (y) any prior payments on the Discount Note that were not qualified stated interest payments. If a payment (other than a payment of qualified stated interest) is made on the first day of an accrual period, then the adjusted issue price at the beginning of such accrual period is reduced by the amount of the payment. If a portion of the initial purchase price of a Note is attributable to interest that accrued prior to the Note's issue date, the first stated interest payment on the Note is to be made within one year of the Note's issue date and such payment will equal or exceed the amount of pre-issuance accrued interest, then the issue price will be decreased by the amount of pre-issuance accrued interest, in which case a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

The OID Regulations contain certain special rules that generally allow any reasonable method to be used in determining the amount of OID allocable to a short initial accrual period (if all other accrual periods are of equal length) and require that the amount of OID allocable to the final accrual period equal the excess of the amount payable at the maturity of the Discount Note (other than any payment of qualified stated interest) over the Discount Note's adjusted issue price as of the beginning of such final accrual period. In addition, if an interval between payments of qualified stated interest on a Discount Note contains more than one accrual period, then the amount of qualified stated interest payable at the end of such interval is allocated PRO RATA (on the basis of their relative lengths) between the accrual periods contained in the interval.

United States Holders of Discount Notes generally will have to include in income increasingly greater amounts of OID over the life of the Notes.

ACQUISITION PREMIUM. A United States Holder that purchases a Discount Note at its original issuance for an amount in excess of its issue price but less than its stated redemption price at maturity (any such excess being "acquisition premium"), and that does not make the election described below under "Original Issue Discount--Election To Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the United States Holder's purchase price for the Note over the issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's issue price. Alternatively, a United States Holder may elect to compute OID accruals as described under "Original Issue Discount--General" above, treating the United States Holder's purchase price as the issue price.

OPTIONAL REDEMPTION. If the Company has an option to redeem a Discount Note, or the Holder has an option to cause a Discount Note to be repurchased, prior to the Discount Note's stated maturity, such option will be presumed to be exercised if, by utilizing any date on which such Discount Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of such Discount Note (the "redemption price") as the stated redemption price at maturity, the yield on the Discount Note would be (i) in the case of an option of the Company, lower than its yield to stated maturity, or (ii) in the case of an option of the Holder, higher than its yield to stated maturity. If such option is not in fact exercised when presumed to be exercised, the Note would be treated solely for OID purposes as if it were redeemed or repurchased, and a new Note were issued, on the presumed exercise date for an amount equal to the Discount Note's adjusted issue price on that date.

SHORT-TERM NOTES. Under the Code, special rules apply with respect to OID on Notes that mature one year or less from the date of issuance ("Short-Term Notes"). In general, a cash basis United States Holder of a Short-Term Note is not required to include OID in income as it accrues for United States Federal income tax purposes unless it elects to do so. Accrual basis United States Holders and certain other United States Holders, including banks, regulated investment companies, dealers in securities and cash basis United States Holders who so elect, are required to include OID in income as it accrues on Short-Term Notes on a straight-line basis or, at the election of the United

States Holder, under the constant yield method (based on daily compounding). In the case of United States Holders not required and not electing to include OID in income currently, any gain realized on the sale or retirement of Short-Term Notes will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the original issue discount under the constant yield method) through the date of sale or retirement. United States Holders who are not required and do not elect to include OID on Short-Term Notes in income as it accrues will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

Any United States Holder of a Short-Term Note can elect to apply the rules in the preceding paragraph taking into account the amount of "acquisition discount", if any, with respect to the Note (rather than the OID with respect to such Note). Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Note over the United States Holder's purchase price therefor. Acquisition discount will be treated as accruing on a ratable basis or, at the election of the United States Holder, on a constant-yield basis.

For purposes of determining the amount of OID subject to these rules, the OID Regulations provide that no interest payments on a Short-Term Note are qualified stated interest, but instead such interest payments are included in the Short-Term Note's stated redemption price at maturity.

NOTES PURCHASED AT A PREMIUM

Under the Code, a United States Holder that purchases a Note for an amount in excess of its stated redemption price at maturity will not be subject to the OID rules and may elect to treat such excess as "amortizable bond premium", in which case the amount of qualified stated interest required to be included in the United States Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to such year. Any election to amortize bond premium is applicable to all bonds (other than bonds the interest on which is excludible from gross income) held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder, and may not be revoked without the consent of the Internal Revenue Service ("IRS"). See also "Original Issue Discount--Election to Treat All Interest as Original Issue Discount".

NOTES PURCHASED AT A MARKET DISCOUNT

A Note, other than a Short-Term Note, will be treated as issued at a market discount (a "Market Discount Note") if the amount for which a United States Holder purchased the Note is less than the Note's issue price, subject to a DE MINIMIS rule similar to the rule relating to DE MINIMIS OID described under "Original Issue Discount--General".

In general, any gain recognized on the maturity or disposition of a Market Discount Note will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Note. Alternatively, a United States Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Market Discount Note. Such an election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Market discount accrues on a straight-line basis unless the United States Holder elects to accrue such discount on a constant yield to maturity basis. Such an election is applicable only to the Market Discount Note with respect to which it is made and is irrevocable. A United States Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or disposition of such Note.

The market discount rules do not apply to a Short-Term Note.

ELECTION TO TREAT ALL INTEREST AS ORIGINAL ISSUE DISCOUNT

Any United States Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under the heading "Original Issue Discount-- General," with the modifications described below. For purposes of this election, interest includes stated interest, OID, DE MINIMIS OID, market discount, acquisition discount, DE MINIMIS market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium.

In applying the constant yield method to a Note with respect to which this election has been made, the issue price of the Note will equal the electing United States Holder's adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing United States Holder, and no payments on the Note will be treated as payments of qualified stated interest. This election is generally applicable only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If this election is made with respect to a Note with amortizable bond premium, the electing United States Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludible from gross income) held by such electing United States Holder as of the beginning of the taxable year in which the election is made or any debt instruments acquired thereafter. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the IRS.

If the election described above to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note, as defined above, then the electing United States Holder will be treated as having made the election discussed above under "Notes Purchased at a Market Discount" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such United States Holder.

PURCHASE, SALE AND RETIREMENT OF THE NOTES

A United States Holder's tax basis in a Note generally will equal its U.S. dollar cost (which, in the case of a Note purchased with a Foreign Currency, will be the U.S. dollar value of the purchase price on the date of purchase), increased by the amount of any OID or market discount (or acquisition discount, in the case of a Short-Term Note) included in the United States Holder's income with respect to the Note and the amount, if any, of income attributable to DE MINIMIS OID included in the United States Holder's income with respect to the Note, and reduced by the sum of (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. A United States Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the United States Holder's tax basis in the Note. The amount realized on a sale or retirement for an amount in Foreign Currency will be the U.S. dollar value of such amount on the date of sale or retirement. Except to the extent described above under "Original Issue Discount-- Short-Term Notes" or "Market Discount" or below under "Foreign Currency Notes--Exchange Gain or Loss", and except to the extent attributable to accrued but unpaid interest, gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year.

FOREIGN CURRENCY NOTES

INTEREST PAYMENTS. If an interest payment is denominated in or determined by reference to a Foreign Currency, the amount of income recognized by a cash basis United States Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Accrual basis United States Holders may determine the amount of income recognized with respect to such interest payment in accordance with either of two methods. Under the first method, the amount of income recognized will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year). Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon

the sale or retirement of a Note) determined by reference to a Foreign Currency, an accrual basis United States Holder will recognize ordinary income or loss measured by the difference between such average exchange rate and the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Under the second method, an accrual basis United States Holder may elect to translate interest income into U.S. dollars at the spot exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, at the exchange rate in effect on the last day of the partial period within the taxable year. Additionally, if a payment of interest is actually received within 5 business days of the last day of the accrual period or taxable year, an accrual basis United States Holder applying the second method may instead translate such accrued interest into U.S. dollars at the spot exchange rate in effect on the day of actual receipt (in which case no exchange gain or loss will result). Any election to apply the second method will apply to all debt instruments held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder and may not be revoked without the consent of the IRS.

EXCHANGE OF AMOUNTS IN OTHER THAN U.S. DOLLARS. Foreign Currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement, as the case may be. Foreign Currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the Foreign Currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a Foreign Currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be ordinary income or loss.

FOREIGN CURRENCY DISCOUNT NOTES. OID for any accrual period on a Discount Note that is denominated in a Foreign Currency will be determined in the Foreign Currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder. Upon receipt of an amount attributable to original issue discount (whether in connection with a payment of interest or the sale or retirement of a Note), a United States Holder may recognize ordinary income or loss.

AMORTIZABLE BOND PREMIUM. In the case of a Note that is denominated in a Foreign Currency, bond premium will be computed in units of Foreign Currency, and amortizable bond premium will reduce interest income in units of the Foreign Currency. At the time amortized bond premium offsets interest income, a United States Holder may realize ordinary income or loss, measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes.

MARKET DISCOUNT. Market discount is determined in units of the Foreign Currency, accrued market discount that is required to be taken into account on the maturity or upon disposition of a Note is translated into U.S. dollars at the exchange rate on the maturity or the disposition date, as the case may be (and no part is treated as exchange gain or loss), accrued market discount currently includible in income by an electing United States Holder is translated into U.S. dollars at the average exchange rate for the accrual period (or the partial accrual period during which the United States Holder held the Note), and exchange gain or loss is determined on maturity or disposition of the Note (as the case may be) in the manner described above under "Foreign Currency Notes--Interest Payments" with respect to the computation of exchange gain or loss on the receipt of accrued interest by an accrual method Holder.

EXCHANGE GAIN OR LOSS. Gain or loss recognized by a United States Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

INDEXED NOTES

The applicable Pricing Supplement will contain a discussion of any special United States Federal income tax rules with respect to currency indexed notes or other indexed Notes.

NON-UNITED STATES HOLDERS

Subject to the discussion of backup withholding below, payments of principal (and premium, if any) and interest (including OID) by the Company or any agent of the Company (acting in its capacity as such) to any Holder of a Note that is not a United States Holder (a "Non-United States Holder") will not be subject to United States Federal withholding tax, provided, in the case of interest (including OID), that (i) the Non-United States Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (ii) the Non-United States Holder is not a controlled foreign corporation for United States tax purposes that is related to the Company (directly or indirectly) through stock ownership and (iii) either (A) the Non-United States Holder certifies to the Company or its agent under penalties of perjury that it is not a United States person and provides its name and address or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Note certifies to the Company or its agent under penalties of perjury that such statement has been received from the Non-United States Holder by it or by another financial institution and furnishes the payor with a copy thereof.

If a Non-United States Holder is engaged in a trade or business in the United States and interest (including OID) on the Note is effectively connected with the conduct of such trade or business, the Non-United States Holder, although exempt from the withholding tax discussed in the preceding paragraph (provided that such Holder furnishes a properly executed IRS Form 4224 on or before any payment date to claim such exemption), may be subject to United States Federal income tax on such interest (or OID) in the same manner as if it were a United States Holder. In addition, if the Non-United States Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest (including OID) on a Note will be included in the earnings and profits of such Holder if such interest (or OID) is effectively connected with the conduct by such Holder of a trade or business in the United States. In lieu of the certificate described in the preceding paragraph, such a Holder must provide the payor with a properly executed IRS Form 4224 to claim an exemption from United States Federal withholding tax.

Any capital gain, market discount or exchange gain realized on the sale, exchange, retirement or other disposition of a Note by a Non-United States Holder will not be subject to United States Federal income or withholding taxes if (i) such gain is not effectively connected with a United States trade or business of the Non-United States Holder and (ii) in the case of an individual, such Non-United States Holder (A) is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition or (B) does not have a tax home (as defined in Section 911(d)(3) of the Code) in the United States in the taxable year of the sale, exchange, retirement or other disposition and the gain is not attributable to an office or other fixed place of business maintained by such individual in the United States.

Notes held by an individual who is neither a citizen nor a resident of the United States for United States Federal tax purposes at the time of such individual's death will not be subject to United States Federal estate tax, provided that the income from such Notes was not or would not have been effectively connected with a United States trade or business of such individual and that such individual qualified for the exemption from United States Federal withholding tax (without regard to the certification requirements) described above.

PURCHASERS OF NOTES THAT ARE NON-UNITED STATES HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE POSSIBLE APPLICABILITY OF UNITED STATES WITHHOLDING AND OTHER TAXES UPON INCOME REALIZED IN RESPECT OF THE NOTES.

INFORMATION REPORTING AND BACKUP WITHHOLDING

For each calendar year in which the Notes are outstanding, the Company is required to provide the IRS with certain information, including the Holder's name, address and taxpayer identification number (either the Holder's Social Security number or its employer identification number, as the case

may be), the aggregate amount of principal and interest paid (including OID, if any) to that Holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain United States Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts.

In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or underreports its tax liability, the Company, its agents or paying agents or a broker may be required to "backup" withhold a tax equal to 31% of each payment of interest (including OID) and principal (and premium, if any) on the Notes. This backup withholding is not an additional tax and may be credited against the United States Holder's United States Federal income tax liability, provided that the required information is furnished to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments made by the Company or any agent thereof (in its capacity as such) to a Non-United States Holder of a Note if such Holder has provided the required certification that it is not a United States person as set forth in clause (iii) in the first paragraph under "Non-United States Holders" above, or has otherwise established an exemption (provided that neither the Company nor its agent has actual knowledge that the Holder is a United States person or that the conditions of any exemption are not in fact satisfied).

Payment of the proceeds from the sale of a Note to or through a foreign office of a broker will not be subject to information reporting or backup withholding, except that if the broker is a United States person, a controlled foreign corporation for United States tax purposes or a foreign person 50 percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business, information reporting may apply to such payments. Payment of the proceeds from a sale of a Note to or through the United States office of a broker is subject to information reporting and backup withholding unless the Holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

PLAN OF DISTRIBUTION

Under the terms of a Distribution Agreement to be entered into by the Company and the Agents (the "Distribution Agreement"), the Notes may be offered on a continuing basis by the Company through the Agents, which have agreed to use reasonable efforts to solicit purchases of the Notes. The Company will pay an Agent a commission ranging from .125% to .750% of the principal amount of each Note, depending on its Stated Maturity, sold through such Agent, as agent. The commission payable by the Company to the Agents with respect to Notes with maturities greater than thirty years will be negotiated at the time the Company issues such Notes. The Company will have the sole right to accept offers to purchase Notes and may reject any such offer, in whole or in part. Each Agent will have the right, in its discretion reasonably exercised, without notice to the Company, to reject any offer to purchase Notes received by it, in whole or in part. The Company reserves the right to sell Notes at or above par directly on its own behalf to investors. No commission will be payable to the Agents on any such sales. The Company may also sell Notes at or above par to any Agent, acting as principal, for resale to one or more investors at varying prices related to prevailing market prices at the time of such resale, as determined by such Agent, or for resale to broker-dealers, with a concession being given to such Agent for the resale price of the Notes. The offering and selling terms for such resale may be varied by such Agent. The Company may appoint other persons to act as its agents pursuant to the

Distribution Agreement for purposes of soliciting offers to purchase Notes. The Company also reserves the right to sell Notes through agents other than pursuant to the Distribution Agreement where offers to purchase are received through such agents on an unsolicited basis. Settlement of such sales will be on substantially the same terms and conditions as contained in the Distribution Agreement, including commissions.

Unless otherwise indicated in the applicable Pricing Supplement, payment of the purchase price of Notes will be required to be in The City of New York in immediately available funds.

The Agents may be deemed to be "underwriters" within the meaning of the Securities Act of 1933. The Company has agreed to indemnify the Agents against and contribute toward certain liabilities, including liabilities under such Act. The Company has agreed to reimburse the Agents for certain expenses.

Each of the Agents may, from time to time, purchase and sell Notes in the secondary market, but is not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, each of the Agents may make a market in the Notes.

The Agents engage in transactions with and perform services for the Company and certain of its affiliates in the ordinary course of business. In addition, Citicorp Securities, Inc., one of the Agents, is an affiliate of the Trustee.

ASHLAND INC.

DEBT SECURITIES
 PREFERRED STOCK
 DEPOSITARY SHARES
 COMMON STOCK
 WARRANTS

Ashland Inc. ("Ashland" or the "Company") intends to issue from time to time its (i) unsecured debt securities, which may either be senior (the "Senior Securities") or subordinated (the "Subordinated Securities"; the Senior Securities and the Subordinated Securities being referred to collectively as the "Debt Securities"), (ii) warrants to purchase the Debt Securities (the "Debt Warrants"), (iii) shares of cumulative preferred stock, without par value (the "Preferred Stock"), (iv) depositary shares representing entitlement to all rights and preferences of a fraction of a share of Preferred Stock of a specified series ("Depositary Shares"), (v) warrants to purchase shares of Preferred Stock ("Preferred Stock Warrants"), (vi) shares of common stock, par value \$1.00 per share (the "Common Stock") and (vii) warrants to purchase shares of Common Stock ("Common Stock Warrants"; the Debt Warrants, Preferred Stock Warrants and Common Stock Warrants being referred to herein collectively as the "Securities Warrants"), having an aggregate initial public offering price not to exceed \$600,000,000 or the equivalent thereof in one or more foreign currencies or composite currencies, including European Currency Units, on terms to be determined at the time of sale. The Debt Securities, Preferred Stock, Depositary Shares, Common Stock and Securities Warrants offered hereby (collectively, the "Offered Securities") may be offered separately or as units with other Offered Securities, in separate series in amounts, at prices and on terms to be determined at the time of sale and to be set forth in a supplement to this Prospectus (a "Prospectus Supplement").

The specific terms of the Offered Securities in respect of which this Prospectus is being delivered, such as, where applicable, (i) in the case of Debt Securities, the specific designation, aggregate principal amount, currency, denomination, maturity, priority, interest rate (which may be variable or fixed), time of payment of interest, terms of redemption at the option of the Company or repayment at the option of the holder or for sinking fund payments, the designation of the Trustee acting under the applicable Indenture and the initial public offering price; (ii) in the case of Preferred Stock, the specific title and stated value, number of shares or fractional interests therein, and the dividend, liquidation, redemption, conversion, voting and other rights and the initial public offering price, and whether the Company has elected to offer the Preferred Stock in the form of Depositary Shares; (iii) in the case of Common Stock, the initial public offering price; (iv) in the case of Securities Warrants, the duration, offering price, exercise price and detachability thereof; and (v) in the case of all Offered Securities, whether such Offered Security will be offered separately or as a unit with other Offered Securities, will be set forth in the accompanying Prospectus Supplement.

The Prospectus Supplement will also contain information, where applicable, concerning certain United States Federal income tax considerations relating to, and any listing on a securities exchange of, the Offered Securities covered by the Prospectus Supplement.

The Offered Securities may be sold directly by the Company, or through agents, underwriters or dealers. Such underwriters or agents for the Common Stock may include NatWest Securities Limited and CS First Boston Corporation. If any agent of the Company, or any underwriters are involved in the sale of Offered Securities, the names of such agents or underwriters and any applicable fees or commissions and the net proceeds to the Company from such sale will be set forth in the applicable Prospectus Supplement. The Company may also issue the Offered Securities to one or more persons in exchange for outstanding securities of the Company acquired by such persons from third parties in open market transactions or in privately negotiated transactions. The newly issued Offered Securities in such cases may be offered pursuant to this Prospectus and the applicable Prospectus Supplement by such persons acting as principal for their own accounts, at market prices prevailing at the time of sale, at prices otherwise negotiated or at fixed prices. Unless otherwise indicated in the applicable Prospectus Supplement, the Company will only receive outstanding securities and will not receive cash proceeds in connection with such exchanges or sales. See "Plan of Distribution".

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

NO DEALER, SALESMAN, OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR THE PROSPECTUS SUPPLEMENT DELIVERED HERewith AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER, DEALER OR AGENT. THIS PROSPECTUS AND THE PROSPECTUS SUPPLEMENT DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OFFERED SECURITIES BY ANYONE IN ANY JURISDICTION IN WHICH THE OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING THE OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

AVAILABLE INFORMATION

Ashland is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by Ashland with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Offices of the Commission at Suite 1400, Northwestern Atrium Center, 500 West Madison Street, Chicago, Illinois 60661 and Seven World Trade Center, Suite 1300, New York, New York 10048. In addition, copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such reports, proxy statements and other information concerning Ashland can also be inspected at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005, and The Chicago Stock Exchange, 440 South LaSalle Street, Chicago, Illinois 60605.

Ashland has filed with the Commission a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act") with respect to the securities offered hereby. For further information with respect to Ashland and the Offered Securities, reference is made to such Registration Statement and to the exhibits thereto. Statements contained herein concerning the provisions of certain documents are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed pursuant to Section 13 or 15(d) of the Exchange Act (File No. 1-2918) are hereby incorporated by reference into this Prospectus:

(i) Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 1994;

(ii) Ashland's Quarterly Report on Form 10-Q for the quarter ended December 31, 1994;

(iii) the description of its Common Stock, par value \$1.00 per share, set forth in the Registration Statement on Form 10, as amended in its entirety by the Form 8 filed with the Commission on May 1, 1983;

(iv) the description of its Rights to Purchase Cumulative Preferred Stock, Series of 1987, set forth in the Registration Statement on Form 8-A dated May 29, 1986 (as amended by the Forms 8 dated February 5, 1987, and September 21, 1989); and

(v) the description of its Cumulative Preferred Stock, without par value, set forth in the Registration Statement on Form 8-A, as amended by Amendment No. 1 thereto, filed with the Commission on April 30, 1993.

All documents filed by Ashland with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated

or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or in any Prospectus Supplement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

ASHLAND WILL PROVIDE WITHOUT CHARGE TO EACH PERSON TO WHOM A COPY OF THIS PROSPECTUS IS DELIVERED, ON THE WRITTEN OR ORAL REQUEST OF SUCH PERSON, A COPY OF ANY OR ALL OF THE DOCUMENTS REFERRED TO ABOVE WHICH HAVE BEEN OR MAY BE INCORPORATED BY REFERENCE INTO THIS PROSPECTUS, OTHER THAN CERTAIN EXHIBITS TO SUCH DOCUMENTS. COPIES OF THE INDENTURES SUMMARIZED BELOW ARE ALSO AVAILABLE UPON REQUEST. REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO THE SECRETARY, ASHLAND INC., P.O. BOX 391, ASHLAND, KENTUCKY 41114 (TELEPHONE: (606) 329-3333).

THE COMPANY

Ashland is a worldwide energy and chemical company engaged in petroleum refining, transportation and wholesale marketing; retail gasoline marketing; motor oil and lubricant marketing; chemicals; coal; highway construction; and oil and gas exploration and production. Ashland's businesses are grouped into six industry segments: Petroleum, SuperAmerica, Valvoline, Chemical, Construction and Exploration. In addition, Ashland is involved in the coal industry through its ownership interests in Arch Mineral Corporation ("Arch") and Ashland Coal, Inc. ("Ashland Coal").

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

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

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

Ashland is a Kentucky corporation, organized on October 22, 1936, with its principal executive offices located at 1000 Ashland Drive, Russell, Kentucky 41169 (Mailing Address: P.O. Box 391, Ashland, Kentucky 41114) (Telephone: (606) 329-3333).

USE OF PROCEEDS

Unless otherwise set forth in the applicable Prospectus Supplement, the net proceeds from the sale of the Offered Securities will be used for general corporate purposes, which may include additions to working capital, capital expenditures, stock and debt repurchases, repayment of indebtedness and acquisitions.

RATIOS

The following table sets forth the consolidated ratios of earnings to fixed charges and earnings to combined fixed charges and preferred stock dividends for the Company:

	YEAR ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1990	1991	1992	1993	1994	1993	1994
Ratio of Earnings to Fixed Charges.....	2.53	1.96	**	1.84	2.51	2.90	2.01
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.....	2.53	1.96	**	1.76	2.19	2.50	1.76

**Fixed charges exceeded earnings (as defined) by \$174 million as a result of special charges and the current year impact of accounting changes.

The above ratios are computed on a total enterprise basis including Ashland and its consolidated subsidiaries, plus their share of significant affiliates accounted for on the equity method that are 50% owned or whose indebtedness has been directly or indirectly guaranteed by Ashland or its consolidated subsidiaries. Earnings consist of income before income taxes and the cumulative effect of accounting changes, adjusted to exclude fixed charges (excluding capitalized interest) and undistributed earnings of equity method affiliates excluded from the total enterprise. Fixed charges consist of interest incurred on indebtedness, the portion of operating lease rentals deemed representative of the interest factor and the amortization of debt expense.

DESCRIPTION OF DEBT SECURITIES

The following description of the terms of the Debt Securities sets forth certain general terms and provisions of the Debt Securities to which any Prospectus Supplement may relate. The particular terms of the Debt Securities offered by any Prospectus Supplement and the extent, if any, to which such general provisions may apply to the Debt Securities so offered will be described in the Prospectus Supplement relating to such Debt Securities. Accordingly, for a description of the terms of a particular issue of Debt Securities and the identity of the Trustee for any Debt Securities, reference must be made to both the Prospectus Supplement relating thereto and to the following description.

The Debt Securities will be general obligations of the Company and may be subordinated to "Superior Indebtedness" (as defined below) of the Company to the extent set forth in the Prospectus Supplement relating thereto. See "Subordination of Subordinated Securities" below. Unless otherwise set forth in the applicable Prospectus Supplement, Senior Securities will be issued under an Indenture dated as of August 15, 1989 as amended and restated as of August 15, 1990 between the Company and Citibank, N.A., as Trustee pursuant to which the Company has issued an aggregate of \$1,119,990,000 senior debt securities. Subordinated Securities will be issued under an Indenture between the Company and a commercial bank to be selected as Trustee. A copy of the forms of Indentures has been filed as exhibits to the Registration Statement filed with the Commission. The following discussion of certain provisions of the Indentures is a summary only and does not purport to be a complete description of the terms and provisions of the Indentures. Accordingly, the following discussion is qualified in its entirety by reference to the provisions of the Indentures, including the definition therein of the terms used below with their initial letters capitalized.

GENERAL

The Indentures do not limit the aggregate principal amount of Debt Securities which may be issued thereunder. The Debt Securities may be issued in one or more series as may be authorized from time to time by Ashland. Reference is made to the applicable Prospectus Supplement for the following terms of the Debt Securities: (i) the title and the limit on the aggregate principal amount of the Debt Securities; (ii) the date or dates on which the Debt Securities will mature; (iii) the rate or rates (which may be fixed or variable) per annum, if any, or the method of determining such rate or rates, at which the Debt Securities will bear interest; (iv) the date or dates from which such interest shall accrue and the date or dates on which such interest will be payable; (v) the currency or currencies or units of two or more currencies in which the Debt Securities are denominated and principal and interest may be payable, and for which the Debt Securities may be purchased, which may be in United States dollars, a foreign currency or currencies or units of two or more foreign currencies; (vi) whether such Debt Securities are to be Senior Securities or Subordinated Securities; (vii) any redemption or sinking fund terms or certain other specific terms; (viii) any Event of Default or covenant with respect to the Debt Securities of a particular series, if not set forth herein; (ix) whether the Debt Securities will be issued as Registered Securities (as defined below) or as Bearer Securities (as defined below); (x) whether the Debt Securities are to be issued in whole or in part in the form of one or more Global Securities (as defined below) and, if so, the identity of the depository for such Global Security or Securities; and (xi) any other terms of such series (which terms shall not be inconsistent with the provisions of the Subordinated Indenture or the Senior Indenture, as the case may be). Unless otherwise indicated in the applicable Prospectus Supplement, principal, premium, if any, and interest, if any, will be payable and the Debt Securities will be transferable at the corporate trust office of the respective Trustee, provided that payment of interest may be made at the option of Ashland by check mailed to the address of the person entitled thereto as it appears in the respective Debt Securities register.

The Debt Securities will be unsecured. Senior Securities will rank on a parity with all other unsecured and unsubordinated indebtedness of Ashland. Subordinated Securities will be subordinated to certain present and future superior indebtedness of Ashland. See "Subordination of Subordinated Securities" below.

The Debt Securities may be issued in fully registered form without coupons ("Registered Securities") or in bearer form with or without coupons ("Bearer Securities"). The Securities denominated in U.S. dollars will be issued, unless otherwise set forth in the applicable Prospectus Supplement, in denominations of \$1,000 or an integral multiple thereof for Registered Securities, and in denominations of \$5,000 or an integral multiple thereof for Bearer Securities. Unless otherwise indicated in the applicable Prospectus Supplement, the Debt Securities will be only Registered Securities. No service charge will be made for any transfer or exchange of such Debt Securities, but Ashland may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Special Federal income tax and other considerations relating to Debt Securities denominated in foreign currencies or units of two or more foreign currencies will be described in the applicable Prospectus Supplement.

Unless otherwise indicated in the applicable Prospectus Supplement, the covenants contained in the Indentures and the Debt Securities will not afford holders of Debt Securities protection in the event of a highly leveraged transaction involving the Company.

EXCHANGE, REGISTRATION AND TRANSFER

Registered Securities (other than Book-Entry Securities) of any series will be exchangeable for other Registered Securities of the same series and of a like aggregate principal amount and tenor of different authorized denominations. In addition, if Securities of any series are issuable as both Registered Securities and Bearer Securities, at the option of the holder upon request confirmed in writing, and subject to the terms of the Indenture, Bearer Securities (with all unmatured coupons, except as provided below, and all matured coupons in default) of such series will be exchangeable into

Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. Bearer Securities with coupons appertaining thereto surrendered in exchange for Registered Securities between a Regular Record Date or a Special Record Date and the relevant date for payment of interest shall be surrendered without the coupon relating to such date for payment of interest and interest will not be payable in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the holder of such coupon when due in accordance with the terms of the Indenture. Bearer Securities will not be issued in exchange for Registered Securities.

Securities may be presented for exchange as provided above, and Registered Securities may be presented for registration of transfer (with the form of transfer endorsed thereon duly executed), at the office of the Security Registrar or at the office of any transfer agent designated by the Company for such purpose with respect to any series of Securities and referred to in an applicable Prospectus Supplement, without service charge and upon payment of any taxes and other governmental charges as described in the Indenture. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. The Company has appointed the Trustee as Security Registrar for the Indenture. If a Prospectus Supplement refers to any transfer agents (in addition to the Security Registrar) initially designated by the Company with respect to any series of Securities, the Company may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, except that, if Securities of a series are issuable solely as Registered Securities, the Company will be required to maintain a transfer agent in each Place of Payment for such series and, if Securities of a series are issuable as Bearer Securities, the Company will be required to maintain (in addition to the Security Registrar) a transfer agent in a Place of Payment for such series located in Europe. The Company may at any time designate additional transfer agents with respect to any series of Securities.

In the event of any redemption in part, the Company shall not be required to: (i) issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before any selection of Securities of that series to be redeemed and ending at the close of business on (a) if Securities of the series are issuable only as Registered Securities, the day of mailing of the relevant notice of redemption and (b) if Securities of the series are issuable only as Bearer Securities, the day of the first publication of the relevant notice of redemption or (c) if Securities of the series are issuable as Registered Securities and Bearer Securities and there is no publication of the relevant notice of redemption, the day of mailing of the relevant notice of redemption, otherwise the date of such publication; (ii) register the transfer of or exchange any Registered Security, or portion thereof, called for redemption, except the unredeemed portion of any Registered Security being redeemed in part; or (iii) exchange any Bearer Security called for redemption, except to exchange such Bearer Security for a Registered Security of that series and like tenor which is immediately surrendered for redemption.

For a discussion of restrictions on the exchange, registration and transfer of Global Securities, see "Global Securities".

PAYMENT AND PAYING AGENTS

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal, premium, if any, and interest on Bearer Securities will be payable, subject to any applicable laws and regulations, at the offices of such Paying Agents outside the United States as the Company may designate from time to time and payment of interest on Bearer Securities with coupons appertaining thereto on any Interest Paying Date will be made only against surrender of the coupon relating to such Interest Payment Date. No payment with respect to any Bearer Security will be made at any office or agency of the company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States. Notwithstanding the foregoing, payments of principal, premium, if any, and interest on Bearer Securities denominated and

payable in U.S. dollars will be made at the office of the Company's Paying Agent in the Borough of Manhattan, The City of New York, if (but only if) payment of the full amount thereof in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions.

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal, premium, if any, and any interest on Registered Securities will be made at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that at the option of the Company, payment of any interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Unless otherwise indicated in an applicable Prospectus Supplement, payment of any installment of interest on Registered Securities will be made to the Person in whose name such Registered Security is registered at the close of business on the Regular Record Date for such interest.

Unless otherwise indicated in an applicable Prospectus Supplement, the Corporate Trust Office of the Trustee in the Borough of Manhattan, The City of New York, will be designated as the Company's sole Paying Agent for payments with respect to Offered Securities that are issuable solely as Registered Securities and as the Company's Paying Agent in the Borough of Manhattan, The City of New York, for payments with respect to Offered Securities (subject to the limitation described above in the case of Bearer Securities) that are issuable solely as Bearer Securities or as both Registered Securities and Bearer Securities. Any Paying Agents outside the United States and any other Paying Agents in the United States initially designated by the Company for the Offered Securities will be named in an applicable Prospectus Supplement. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that, if Securities of a series are issuable solely as Registered Securities, the Company will be required to maintain a Paying Agent in each Place of Payment for such series and, if Securities of a series are issuable as Bearer Securities, the Company will be required to maintain (i) a Paying Agent in the Borough of Manhattan, The City of New York, for payments with respect to any Registered Securities of the series (and for payments with respect to Bearer Securities of the series in the circumstances described above, but not otherwise), and (ii) a Paying Agent in a Place of Payment located outside the United States where Securities of such series and any coupons appertaining thereto may be presented and surrendered for payment; provided that if the Securities of such series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited or the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent in London or Luxembourg or any other required city located outside the United States, as the case may be, for the Securities of such series.

All moneys paid by the Company to a Paying Agent for the payment of principal, premium, if any, or interest on any Security or coupon that remains unclaimed at the end of two years after such principal, premium or interest shall have become due and payable will be repaid to the Company and the holder of such Security or coupon will thereafter look only to the Company for payment thereof.

GLOBAL SECURITIES

The Debt Securities of a series issued under the Indentures may be issued in whole or in part in the form of one or more global securities (the "Global Securities") that will be deposited with, or on behalf of, a depositary (the "Depositary") identified in the Prospectus Supplement relating to such series. Global Securities may be issued in either registered or bearer form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual Debt Securities represented thereby, a Global Security may not be transferred except as a whole by the Depositary for such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by the Depositary or any nominee to a successor Depositary or any nominee of such successor.

The specific terms of the depositary arrangement with respect to a series of Debt Securities will be described in the Prospectus Supplement relating to such series. Ashland anticipates that the following provisions will generally apply to depositary arrangements.

Upon the issuance of a Global Security in registered form, the Depositary for such Global Security or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the individual Debt Securities represented by such Global Security to the accounts of persons that have accounts with such Depositary. Such accounts shall be designated by the dealers, underwriters or agents with respect to such Debt Securities or by Ashland if such Debt Securities are offered and sold directly by Ashland. Ownership of beneficial interests in a Global Security will be limited to persons that have accounts with the applicable Depositary ("participants") or persons that may hold interests through participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable Depositary or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security.

So long as the Depositary for a Global Security, or its nominee, is the registered owner of such Global Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Debt Securities represented by such Global Security for all purposes under the Indenture governing such Debt Securities. Except as provided below, owners of beneficial interests in a Global Security will not be entitled to have any of the individual Debt Securities of the series represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of any such Debt Securities of such series in definitive form and will not be considered the owners or holders thereof under the Indenture governing such Debt Securities.

Payments of principal of, premium, if any, and interest, if any, on individual Debt Securities represented by a Global Security registered in the name of a Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner of the Global Security representing such Debt Securities. Neither Ashland, the Trustee for such Debt Securities, any paying agent (a "Paying Agent"), nor the Registrar for such Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made by the Depositary or any participants on account of beneficial ownership interests of the Global Security for such Debt Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Ashland expects that the Depositary for a series of Debt Securities or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent Global Security representing any of such Debt Securities, immediately will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security for such Debt Securities as shown on the records of such Depositary or its nominee. Ashland also expects that payments by participants to owners of beneficial interests in such Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name". Such payments will be the responsibility of such participants.

If the Depositary for a series of Debt Securities is at any time unwilling, unable or ineligible to continue as Depositary and a successor Depositary is not appointed by Ashland within 90 days, Ashland will issue individual Debt Securities of such series in exchange for the Global Security or Securities representing such series of Debt Securities. In addition, Ashland may at any time in its sole discretion, subject to any limitations described in the Prospectus Supplement relating to such Debt Securities, determine not to have any Debt Securities of a series represented by one or more Global Securities and, in such event, will issue individual Debt Securities of such series in exchange for the Global Security or Securities representing such series of Debt Securities. Further, if Ashland so

specifies with respect to the Debt Securities of a series, an owner of a beneficial interest in a Global Security representing Debt Securities of such series may, on terms acceptable to Ashland, the Trustee, and the Depositary for such Global Security, receive individual Debt Securities of such series in exchange for such beneficial interests, subject to any limitations described in the Prospectus Supplement relating to such Debt Securities. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of individual Debt Securities of the series represented by such Global Security equal in principal amount to such beneficial interest and to have such Debt Securities registered in its name. Individual Debt Securities of such series so issued will be issued in denominations, unless otherwise specified by Ashland, of \$1,000 and integral multiples thereof.

If so specified in an applicable Prospectus Supplement, all or any portion of the Debt Securities of a series that are issuable as Bearer Securities initially will be represented by one or more temporary Global Securities, with or without interest coupons, to be deposited with a Common Depositary in London for Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear") and Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") for credit to the respective accounts of the beneficial owners of such Debt Securities (or to such other accounts as they may direct). On and after the exchange date determined as provided in any such temporary Global Security and described in an applicable Prospectus Supplement, each such temporary Global Security will be exchangeable for definitive Debt Securities in bearer form, registered form, or definitive global form (registered or bearer), or any combination thereof, as specified in an applicable Prospectus Supplement. No Bearer Security (including a Debt Security in definitive global bearer form) delivered in exchange for a portion of a temporary Global Security shall be mailed or otherwise delivered to any location in the United States in connection with such exchange.

Unless otherwise specified in an applicable Prospectus Supplement, Ashland or its agent must receive a certificate signed by Euroclear or CEDEL, as the case may be, prior to the delivery of a definitive Bearer Security, and prior to the actual payment of interest in respect of the applicable portion of the temporary Global Security payable in respect of an Interest Payment Date occurring prior to the delivery of a definitive Debt Security. Such certificate must be based on statements provided to Euroclear or CEDEL by its member organizations. Such certificate must be dated on the date of the earlier of the first actual payment of interest on the Debt Security and the date of delivery of the Debt Security in definitive form, and must state that on such date the Debt Security is owned by (i) a person that is not a United States person and is not a financial institution holding the obligation for purposes of resale during the Restricted Period, (ii) a United States person that is either (A) the foreign branch of a United States financial institution purchasing for its own account and not for resale during the Restricted Period or (B) a United States person who acquired its interest through the foreign branch of a United States financial institution and who holds the obligation through such financial institution, provided that in either case (A) or (B) the United States financial institution either provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder or has provided a valid blanket certificate stating that the financial institution will comply with such requirements or (iii) a financial institution holding for purposes of resale during the Restricted Period, and such financial institution certifies in addition that it has not acquired the obligation for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions. As used herein, the term "Restricted Period" means (i) the period from the closing date until 40 days thereafter or (ii) any time if the obligation is held as part of an unsold allotment or subscription.

Each of Euroclear and CEDEL will in such circumstances credit the interest received by it in respect of such temporary Global Security to the accounts of the beneficial owners thereof (or to such other accounts as they may direct).

The beneficial owner of a Debt Security represented by a definitive Global Security in bearer form may, upon not less than 30 days' written notice to the Trustee, given by it through either Euroclear or

CEDEL, exchange its interest in such definitive Global Security for a definitive Bearer Security or Securities, or a definitive Registered Security or Securities of any authorized denomination. No individual definitive Bearer Security will be delivered in or to the United States.

CERTAIN COVENANTS OF ASHLAND WITH RESPECT TO SENIOR SECURITIES

LIMITATIONS ON LIENS. Unless otherwise provided in the applicable Prospectus Supplement, Ashland will agree that neither it nor any Subsidiary (as defined in the Senior Indenture) will issue, assume or guarantee any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed ("Debt") secured by a mortgage, lien, pledge or other encumbrance ("Mortgages") upon any of its property or any property of such Subsidiary, real or personal, located in the continental United States of America without effectively providing that the Senior Securities (together with, if Ashland so determines, any other indebtedness or obligation then existing and any other indebtedness or obligation, thereafter created, ranking equally with the Senior Securities) shall be secured equally and ratably with (or, at the option of Ashland, prior to) such Debt so long as such Debt shall be so secured, except that the foregoing provisions shall not apply to: (a) Mortgages existing on the date of the Senior Indenture, (b) Mortgages affecting property of a corporation existing at the time it becomes a Subsidiary or at the time it is merged into or consolidated with Ashland or a Subsidiary, (c) Mortgages on property (i) existing at the time of acquisition thereof, (ii) to secure payment of all or part of the purchase price thereof, (iii) to secure Debt incurred prior to, at the time of or within 24 months after acquisition thereof for the purpose of financing all or part of the purchase price thereof or (iv) assumed or incurred in connection with the acquisition thereof, (d) Mortgages on property to secure all or part of the cost of repairing, altering, constructing, improving, exploring, drilling or developing such property, or to secure Debt incurred to provide funds for any such purpose, (e) Mortgages on (i) pipelines, gathering systems, pumping or compressor stations, pipeline storage facilities or other related facilities, (ii) tank cars, tank trucks, tank vessels, barges, tow boats or other vessels or boats, drilling barges, drilling platforms, or other movable railway, automotive, aeronautic or marine facilities, (iii) office buildings, laboratory and research facilities, retail service stations, retail or wholesale sales facilities, terminals, bulk plants, warehouses or storage or distribution facilities, (iv) manufacturing facilities other than units for the refining of crude oil, (v) the equipment of any of the foregoing or (vi) any "margin stock" or "margin security" within the meaning of Regulation U or Regulation G of the Board of Governors of the Federal Reserve System as amended from time to time, (f) Mortgages on current assets or other personal property (other than shares of stock or indebtedness of Subsidiaries) to secure loans maturing not more than one year from the date of the creation thereof or to secure any renewal thereof for not more than one year at any one time, (g) Mortgages which secure indebtedness owing by a Subsidiary to Ashland or a Subsidiary, (h) Mortgages on property of any Subsidiary principally engaged in a financing or leasing business, (i) Mortgages upon the oil, gas or other minerals produced or to be produced (or proceeds thereof) from properties which shall have been acquired or shall have become producing subsequent to August 15, 1977, if, in respect to each such Mortgage it shall have been given to secure indebtedness incurred to pay or to reimburse the cost (incurred subsequent to the date of the acquisition of such property or August 15, 1977, whichever shall be later) of drilling or equipping such property and (j) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Mortgage referred to in the foregoing clauses (a) to (i) inclusive or of any Debt secured thereby, PROVIDED that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Mortgage shall be limited to all or part of substantially the same property which secured the Mortgage extended, renewed or replaced (plus improvements on such property). Notwithstanding the above, Ashland and any one or more Subsidiaries may issue, assume or guarantee Debt secured by Mortgages which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with the aggregate outstanding principal amount of all other Debt of Ashland and its Subsidiaries which would otherwise be subject to the foregoing restrictions, does not at any one time exceed 5% of the stockholders' equity in Ashland and its consolidated subsidiary companies as shown on the audited consolidated balance sheet contained in the latest

annual report to stockholders of Ashland. The following types of transactions, among others, shall not be deemed to create Debt secured by Mortgages: (1) the sale or other transfer of oil, gas or other minerals in place for a period of time until, or in an amount such that, the transferee will realize therefrom a specified amount (however determined) of money or such minerals, or the sale or other transfer of any other interest in property of the character commonly referred to as an oil payment or a production payment and (2) Mortgages required by any contract or statute in order to permit Ashland or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States, any State or any department, agency or instrumentality of either.

LIMITATIONS ON SALE AND LEASE-BACK. Unless otherwise provided in the applicable Prospectus Supplement, Ashland will agree that neither it nor any Subsidiary will enter into any arrangement with any bank, insurance company or other lender or investor, or to which any such lender or investor is a party, providing for the leasing to Ashland or a Subsidiary for a period of more than three years of any real property located in the continental United States (except a lease for a temporary period not to exceed three years by the end of which it is intended that the use of such real property by the lessee will be discontinued) which has been or is to be sold or transferred by Ashland or a Subsidiary to such lender or investor or to any Person or organization to which funds have been or are to be advanced by such lender or investor on the security of the leased property ("Sale and Lease-Back Transactions") unless either: (a) Ashland or such Subsidiary would be entitled to create Debt secured by a Mortgage on the property to be leased, without equally and ratably securing the Senior Securities or (b) Ashland (and in any such case Ashland covenants and agrees that it will do so), within four months after the effective date of such Sale and Lease-Back Transaction (whether made by Ashland or a Subsidiary), applies to the retirement of Debt of Ashland maturing by the terms thereof more than one year after the original creation thereof ("Funded Debt"), an amount equal to the greater of (i) the net proceeds of the sale of the real property leased pursuant to such arrangement or (ii) the fair value of the real property so leased at the time of entering into such arrangement (as determined by the Board of Directors); PROVIDED that the amount to be applied to the retirement of Funded Debt shall be reduced by an amount equal to the sum of (a) the principal amount of Senior Securities delivered, within four months after the effective date of such arrangement, to the Trustee for retirement and cancellation and (b) the principal amount of other Funded Debt voluntarily retired by Ashland within such four-month period, excluding retirements of Senior Securities and other Funded Debt pursuant to mandatory sinking fund or prepayment provisions or by payment at maturity.

LIMITATION ON CONSOLIDATIONS AND MERGERS. The Senior Indenture provides that Ashland will not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any entity (other than a wholly owned subsidiary of Ashland, except in the event that such a subsidiary is the surviving corporation in a consolidation or merger) unless the successor or transferee is a domestic corporation that assumes Ashland's obligations under the Senior Securities and the Senior Indenture and certain other conditions are met.

SUBORDINATION OF SUBORDINATED SECURITIES

The payment of the principal of, premium, if any, and interest on the Subordinated Securities, including sinking fund payments, if any, will be subordinated in right of payment, as set forth in the Subordinated Indenture, to the prior payment in full of all Superior Indebtedness of Ashland. Superior Indebtedness is defined as (a) the principal of, premium, if any, and accrued and unpaid interest on (whether outstanding on the date of execution of the Subordinated Indenture or thereafter created, incurred or assumed) (i) indebtedness of Ashland for money borrowed (other than the Subordinated Securities), (ii) guarantees by Ashland of indebtedness for money borrowed of any other person, (iii) indebtedness evidenced by notes, debentures, bonds or other instruments of indebtedness for the payment of which Ashland is responsible or liable, by guarantees or otherwise, (iv) obligations of Ashland under any agreement relating to any interest rate or currency swap, interest rate cap, interest rate collar, interest rate future, currency exchange or forward currency transaction, or any similar interest rate or currency hedging transaction and (v) obligations of Ashland under any agreement to lease, or any lease of, any real or personal property which, in accordance with generally accepted accounting principles, is classified on Ashland's balance sheet as a liability and

(b) modifications, renewals, extensions and refundings of any such indebtedness, liability, obligation or guarantee; unless, in the instrument created or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness, liability, obligation or guarantee, or such modification, renewal, extension or refunding thereof, is not superior in right of payment to the Subordinated Securities; PROVIDED, HOWEVER, that Superior Indebtedness shall not be deemed to include (i) any obligations of Ashland to any subsidiary and (ii) any other indebtedness, guarantee or obligation of Ashland of the type set forth above which is subordinate or junior in ranking in any respect to any other indebtedness, guarantee or obligation of Ashland.

No payment by Ashland on account of principal of, premium, if any, or interest on the Subordinated Securities, including sinking fund payments, if any, may be made if any default or event of default with respect to any Superior Indebtedness shall have occurred and be continuing and (unless such default or event of default is the failure by Ashland to pay principal or interest on any instrument constituting Superior Indebtedness) written notice thereof shall have been given to the Trustee by Ashland or to Ashland and the Trustee by the Holders of at least 10% in principal amount of any kind or category of any Superior Indebtedness (or a representative or trustee on their behalf). Ashland may resume payments on the Subordinated Securities (unless otherwise prohibited by the related Indenture) if (i) such default is cured or waived or (ii) unless such default is the failure of Ashland to pay principal or interest on any Superior Indebtedness, 120 days pass after the notice is given if such default is not the subject of judicial proceedings. In the event that any Subordinated Security is declared due and payable before the date specified therein as the fixed date on which the principal thereof is due and payable, or upon any payment or distribution of assets of Ashland to creditors upon any dissolution, winding up, liquidation or reorganization, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of (and premium, if any) and interest due or to become due on all Superior Indebtedness must be paid in full before the Holders of Subordinated Securities are entitled to receive or take any payment (other than shares of stock or subordinated indebtedness provided by a plan of reorganization or adjustment which does not alter the rights of Holders of Superior Indebtedness without such Holders' consent). Subject to the payment in full of all Superior Indebtedness, the Holders of the Subordinated Securities are to be subrogated to the rights of the Holders of Superior Indebtedness to receive payments or distribution of assets of Ashland applicable to Superior Indebtedness until the Subordinated Securities are paid in full.

By reason of such subordination, in the event of insolvency, creditors of Ashland who are Holders of Superior Indebtedness, as well as certain general creditors of Ashland, may recover more, ratably, than the Holders of the Subordinated Securities.

The Subordinated Indenture will not limit the amount of Superior Indebtedness or Debt Securities which may be issued by Ashland or any of its subsidiaries.

MODIFICATION OF THE INDENTURES

The Indentures provide that the Company and the Trustee thereunder may, without the consent of any Holders of Debt Securities, enter into supplemental indentures for the purposes, among other things, of adding to the Company's covenants, adding additional Events of Default, establishing the form or terms of the Debt Securities as permitted under the Indentures or, provided such action shall not adversely affect the interests of the Holders of Debt Securities in any material respect, curing ambiguities or inconsistencies in such Indentures or making other provisions.

The Indentures contain provisions permitting the Company, with the consent of the Holders of not less than 66 2/3% in principal amount of the Outstanding Securities (as defined in the Indentures) of each affected series, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indentures or modifying the rights of the Holders of Debt Securities of such series, except that no such supplemental indenture may, without the consent of the Holders of all of the Outstanding Securities affected thereby, among other things: (i) change the maturity of the principal of, or any installment of principal of or interest on, any of the Debt Securities; (ii) reduce the principal amount thereof (or any premium thereon) or the rate of interest

thereon; (iii) change the currency, currencies or currency unit or units in which, any of the Debt Securities or any premium or interest thereon is payable; (iv) change any obligation of the Company to maintain an office or agency in the places and for the purposes required by such Indentures; (v) impair the right to institute suit for the enforcement of any such payment on or after the applicable maturity date; (vi) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of the Holders of which is required for any such supplemental indenture or for any waiver of compliance with certain provisions of, or of certain defaults under, such Indentures; or (vii) with certain exceptions, modify the provisions for the waiver of certain covenants and defaults and any of the foregoing provisions.

WAIVER OF CERTAIN COVENANTS

The Indentures provide that the Company will not be required to comply with certain restrictive covenants (including those described above under "Certain Restrictive Provisions") if the Holders of not less than 66 2/3% in principal amount of each series of Outstanding Securities affected thereby waive compliance with such restrictive covenants.

EVENTS OF DEFAULT, NOTICE AND WAIVER

An Event of Default in respect of any series of Debt Securities (unless it is either inapplicable to a particular series or has been modified or deleted with respect to any particular series) is defined in the Indentures to be: (i) a default for 30 days in the payment of any installment of interest upon any of the Debt Securities of such series when due; (ii) a default in the payment of principal of (or premium, if any, on) any of the Debt Securities of such series when due; (iii) a default for 30 days in the deposit of any sinking fund payment when the same becomes due by the terms of the Debt Securities of such series; (iv) a default by the Company in the performance, or breach, of any of its other covenants or warranties in the applicable Indentures which shall not have been remedied for a period of 60 days after notice from the Trustee thereunder or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series; (v) certain events of bankruptcy, insolvency or reorganization of the Company; and (vi) any other Event of Default provided with respect to Debt Securities of that series.

The Indentures provide that if an Event of Default specified therein in respect of any series of Outstanding Securities issued under such Indentures shall have happened and be continuing, either the Trustee thereunder or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series may declare the principal of all of the Outstanding Securities of such series to be immediately due and payable.

The Indentures provide that the Holders of not less than a majority in principal amount of the Outstanding Securities of any series may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee thereunder, or exercising any trust or power conferred on such Trustee, with respect to the Debt Securities of such series, provided that such Trustee may act in any way that is not inconsistent with such directions and may decline to act if any such direction is contrary to law or to such Indentures or would involve such Trustee in personal liability.

The Indentures provide that the Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all of the Outstanding Securities of such series waive any past default under the Indentures with respect to such series and its consequences, except a default (i) in the payment of the principal of (or premium, if any) or interest on any of the Debt Securities of such series or (ii) in respect of a covenant or provision of such Indentures which, under the terms of such Indentures, cannot be modified or amended without the consent of the Holders of all of the Outstanding Securities of such series affected thereby.

The Indentures contain provisions entitling the Trustee, subject to the duty of the Trustee during an Event of Default in respect of any series of Debt Securities to act with the required standard of care, to be indemnified by the Holders of the Debt Securities of such series before proceeding to exercise any right or power under such Indentures at the request of the Holders of the Debt Securities of such series.

The Indentures provide that the Trustee will, within 90 days after the occurrence of a default in respect of any series of Debt Securities, give to the Holders of the Debt Securities of such series notice of such uncured and unwaived default known to it; PROVIDED, HOWEVER, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on, or any sinking fund installment with respect to, any of the Debt Securities of such series, such Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Holders of the Debt Securities of such series; and PROVIDED FURTHER, that such notice shall not be given until at least 30 days after the occurrence of an Event of Default regarding the performance, or breach, of any covenant or warranty of the Company under such Indentures other than for the payment of the principal of (or premium, if any) or interest on, or any sinking fund installment with respect to, any of the Debt Securities of such series. The term "default" for the purpose of this provision only means any event that is, or after notice or lapse of time, or both, would become, an Event of Default with respect to the Debt Securities of such series.

The Indentures require the Company to file annually with the Trustee thereunder a certificate, executed by an officer of the Company, indicating whether such officer has knowledge of any default under such Indentures.

MEETINGS

The Indentures contain provisions for convening meetings of the Holders of Debt Securities of a series if Debt Securities of that series are issuable as Bearer Securities. A meeting may be called at any time by the Trustee, and, if the Trustee fails to call a meeting within 21 days after receipt of a request from the Company or the Holders of at least 10% in principal amount of the Outstanding Securities of such series, the Company or such Holders may call a meeting upon notice given in accordance with "Notices" below. Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum at a meeting of the Holders of Debt Securities of such series; PROVIDED, HOWEVER, that if any action is to be taken at such meeting with respect to a consent or waiver which is required to be given by the Holders of not less than 66 2/3% in principal amount of the Outstanding Securities of a series, the persons entitled to vote 66 2/3% in principal amount of the Outstanding Securities of such series shall constitute a quorum. In the absence of a quorum, a meeting called by the Company or the Trustee shall be adjourned for a period of not less than 10 days, and in the absence of a quorum at any such adjourned meeting, the meeting shall be further adjourned for a period of not less than 10 days. Any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which may be made, given or taken by the Holders of a specified percentage in principal amount of Outstanding Securities of a series may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of that series. Any resolution passed or decision taken at any meeting of Holders of Debt Securities of any series duly held in accordance with the Indentures will be binding on all Holders of Securities of that series and the related coupons. With respect to any consent, waiver or other action which the Indentures expressly provide may be given by the Holders of a specified percentage of Outstanding Securities of any series affected thereby (acting as one class), only the principal amount of Outstanding Securities of any series represented at a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid and voting in favor of such action shall be counted for purposes of calculating the aggregate principal amount of Outstanding Securities of all series affected thereby favoring such action.

NOTICES

Except as otherwise provided in the applicable Prospectus Supplement, notices to Holders of Bearer Securities will be given by publication at least once in a daily newspaper in The City of New York and London and in such other city or cities as may be specified in such Bearer Securities and will be mailed to such Persons whose names and addresses were previously filed with the Trustee

within the last two years under the Indentures, within the time prescribed for the giving of such notice. Notices to Holders of Registered Securities will be given by mail to the address of such Holders as they appear in the Security Register.

TITLE

Title to any Bearer Securities (including Bearer Securities in temporary or definitive global bearer form) and any coupons appertaining thereto will pass by delivery. The Company, the appropriate Trustee and any agent of the Company or such Trustee may treat the bearer of any Bearer Security and the bearer of any coupon and registered owner of any Registered Security as the absolute owner thereof (whether or not such security or coupon shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

REPLACEMENT OF SECURITIES AND COUPONS

Any mutilated Debt Security and any Debt Security with a mutilated coupon appertaining thereto will be replaced by the Company at the expense of the Holder upon surrender of such mutilated Debt Security or Debt Security with a mutilated coupon to the appropriate Trustee. Debt Securities or coupons that become destroyed, stolen or lost will be replaced by the Company at the expense of the Holder upon delivery to the appropriate Trustee of evidence of the destruction, loss or theft thereof satisfactory to the Company and such Trustee; in the case of any coupon which becomes destroyed, stolen or lost, such coupon will be replaced (upon surrender to the appropriate Trustee of the Debt Security with all appurtenant coupons not destroyed, stolen or lost) by issuance of a new Debt Security in exchange for the Debt Security to which such coupon appertains. In the case of a destroyed, lost or stolen Debt Security or coupon an indemnity satisfactory to the appropriate Trustee and the Company may be required at the expense of the Holder of such Debt Security or coupon before a replacement Debt Security will be issued.

DEFEASANCE

Unless the Prospectus Supplement relating to the Offered Securities provides otherwise, the Company at its option (a) will be Discharged (as such term is defined in the Indentures) from any and all obligations in respect of the Offered Securities (except for certain obligations to register the transfer or exchange of Debt Securities, replace stolen, lost or mutilated securities and coupons, maintain paying agencies and hold moneys for payment in trust) or (b) need not comply with certain restrictive covenants of the Indentures (including those described above under "Certain Restrictive Provisions"), if there are deposited with the Trustee, in the case of Debt Securities and coupons denominated in U.S. dollars, U.S. Government Obligations (as defined in the Indentures) or, in the case of Debt Securities and coupons denominated in a foreign currency, Foreign Government Securities (as defined in the Indentures), which through the payment of interest thereon and principal thereof in accordance with their terms will provide money or a combination of money and U.S. Government Obligations or Foreign Government Securities, as the case may be, in an amount sufficient to pay in the currency, currencies or currency unit or units in which the Offered Securities are payable all the principal of, and interest on, the Offered Securities on the dates such payments are due in accordance with the terms of the Offered Securities. As a condition to the Company's exercise of either such option, the Company is required to deliver to the Trustee an opinion of counsel to the effect that Holders of the Offered Securities will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit and related defeasance and will be subject to Federal income tax in the same amount, in the same manner and at the same times as would have been the case if such deposit and related defeasance had not occurred. The deposit and the Discharge or release from compliance with certain covenants described in the preceding sentence may result in the Holders of the Offered Securities recognizing income, gain or loss for Federal income tax purposes as a result of such deposit and Discharge or release, and may result in the Holders recognizing income in a manner or at times different than would have been the case if such deposit and Discharge or release had not occurred.

CERTAIN RIGHTS TO REQUIRE PURCHASE OF SECURITIES BY ASHLAND UPON UNAPPROVED CHANGE IN CONTROL AND DECLINE IN DEBT RATING

In the event that (a) there occurs any Change in Control (as hereinafter defined) of Ashland and (b) the prevailing rating of any series of the Debt Securities issued under the Indentures on a date within 90 days following public notice of such Change in Control shall be less than the rating on a

specified earlier date by the equivalent of at least one full rating category (as defined in the Indentures), each Holder of Debt Securities of such series shall have the right, at the Holder's option, to require Ashland to purchase all or any part of the Holder's Debt Securities on the date (the "Repurchase Date") that is 100 days after the last to occur of (i) public notice of such Change in Control and (ii) the rating decline, at 100% of the principal amount on the Repurchase Date, plus accrued and unpaid interest to the Repurchase Date. Notwithstanding the foregoing, if such a rating decline applies to less than all series of the Debt Securities, the repurchase rights described above will apply only to those series with respect to which there has been a rating decline.

On or before the twenty-eighth day after the last to occur of public notice of the Change in Control and the decrease in the rating of such Debt Securities, Ashland is obligated to mail or cause to be mailed to all Holders of record of such Debt Securities a notice regarding the Change in Control, the decrease in the rating of the Debt Securities and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the applicable price for such Debt Securities and the procedure which the Holder must follow to exercise this right. Ashland shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, The City of New York. To exercise this right, the Holder of a Debt Security must deliver on or before the tenth day before the Repurchase Date written notice to Ashland (or an agent designated by Ashland for such purpose) of the Holder's exercise of such right, together with the Debt Security with respect to which the right is being exercised, duly endorsed for transfer. The Company will comply with Rules 13e-4 and 14e-1 under the Exchange Act and any other applicable securities laws in connection with any such repurchase of Debt Securities.

As used herein, a "Change in Control" shall be deemed to have occurred at such time as (i) a "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the then outstanding voting stock of Ashland, otherwise than through a transaction consummated with the prior approval of the Board of Directors of Ashland or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute Ashland's Board of Directors (together with any new director whose election by Ashland's Board of Directors or whose nomination for election by Ashland's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Directors then in office. In considering whether to approve a transaction which might otherwise constitute a Change in Control, the Board of Directors of Ashland will be required to consider the interests of stockholders, employees and other creditors of Ashland which may not necessarily be consistent with the interests of Holders of Debt Securities. In considering whether to pursue a transaction which might otherwise constitute a Change in Control, a potential acquirer of the Company will be required to consider that, to the extent the repurchase right becomes exercisable and is exercised by Holders of Debt Securities of any series, sufficient funds must be made available to make payment to such Holders. The Company cannot presently predict the source of such funds, but expects that the source would be determined in the context of the overall consideration of such a transaction.

GOVERNING LAW

The Indentures, the Debt Securities and the coupons will be governed by, and construed in accordance with, the laws of the State of New York.

THE TRUSTEE

Citibank, N.A. is Trustee under the Senior Indenture and one other indenture pursuant to which unsecured debt obligations of the Company are outstanding and has other customary banking relationships with the Company and its affiliates.

DESCRIPTION OF CAPITAL STOCK

The authorized stock of the Company consists of 150,000,000 shares of Common Stock, and 30,000,000 shares of Preferred Stock, issuable in series. On March 17, 1995, there were 62,192,084 shares of Common Stock and 6,000,000 shares of Preferred Stock outstanding. 10,000,000 shares of Preferred Stock designated as Cumulative Preferred Stock, Series of 1987, are reserved for issuance upon exercise of rights issued pursuant to the Rights Agreement dated as of May 15, 1986, as amended (the "Rights Agreement"). An aggregate of 23,505,355 additional shares of Common Stock are reserved for issuance upon conversion of the Company's 6 3/4% Convertible Subordinated Debentures, the Company's \$3.125 Cumulative Convertible Preferred Stock (the "\$3.125 Preferred Stock") and issuance under the Company's various stock and compensation incentive plans.

The following statements with respect to the capital stock of the Company are subject to the detailed provisions of the Company's Second Restated Articles of Incorporation, as amended (the "Restated Articles"), and By-laws, as amended (the "By-laws"), as currently in effect. These statements do not purport to be complete, or to give full effect to the terms of the provisions of statutory or common law, and are subject to, and are qualified in their entirety by reference to, the terms of the Restated Articles, By-laws and the Rights Agreement, which are filed as Exhibits to the Registration Statement of which this Prospectus is a part.

DESCRIPTION OF COMMON STOCK

The holders of Common Stock are entitled to receive dividends as may be declared from time to time by the Board of Directors of the Company (the "Board of Directors") out of funds legally available therefor. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of shareholders and have cumulative voting rights. Under cumulative voting, a shareholder may multiply the number of shares owned by the number of directors to be elected and cast this total number of votes for any one nominee or distribute the total number of votes, in any proportion, among as many nominees as the shareholder desires. Holders of Common Stock are entitled to receive, upon any liquidation of the Company, all remaining assets available for distribution to shareholders after satisfaction of the Company's liabilities and the preferential rights of any Preferred Stock that may then be issued and outstanding. The outstanding shares of Common Stock are, and the shares of Common Stock issuable upon conversion of the \$3.125 Preferred Stock and the 6 3/4% Convertible Subordinated Debentures will be, fully paid and nonassessable. The holders of Common Stock have no preemptive, conversion or redemption rights. The Transfer Agent and Registrar of Ashland's Common Stock is Harris Trust and Savings Bank, Chicago, Illinois.

PREFERRED STOCK PURCHASE RIGHTS

The Board of Directors has authorized the distribution of one-half a Right (a "Right") for each outstanding share of Common Stock. Each Right entitles the holder thereof to buy one-tenth of a share of Cumulative Preferred Stock, Series of 1987, at a price of \$120.

Currently, the Rights trade together with the Common Stock. They may be exercised or traded separately only after the earlier to occur of (i) 10 days following a public announcement that a person or group of persons has obtained the right to acquire 15% or more of the outstanding Common Stock or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors) following the commencement or announcement of an intent to make a tender offer or exchange offer which would result in beneficial ownership by a person or group of persons of 20% or more of the Company's outstanding Common Stock. If the acquiring person or group of persons acquires 20% or more of the Common Stock, each Right (other than those held by the acquiror) will entitle its holder to purchase, at the Right's exercise price, shares of Common Stock having a market value of twice the Right's exercise price. Additionally, if the Company is acquired in a merger or other business combination, each Right (other than those held by the surviving or acquiring company) will entitle its holder to purchase, at the Right's exercise price, shares of the acquiring company's common stock (or stock of

the Company if it is the surviving corporation) having a market value of twice the Right's exercise price. Each one-tenth share of Cumulative Preferred Stock, Series of 1987, will be entitled to dividends and to vote on an equivalent basis with two shares of Common Stock.

Rights may be redeemed at the option of the Board of Directors for \$.05 per Right at any time before the earliest of 10 calendar days after the first public disclosure of a person or group's acquisition of beneficial ownership of 15% or more of the Company's Common Stock or the acquisition by a person of 20% of such outstanding Common Stock. The Board of Directors may amend the Rights at any time without shareholder approval. The Rights will expire by their terms on May 15, 1996.

DESCRIPTION OF PREFERRED STOCK

The following description of the terms of the Preferred Stock sets forth certain general terms and provisions of the Preferred Stock to which a Prospectus Supplement may relate. Specific terms of any series of the Preferred Stock offered by a Prospectus Supplement will be described in the Prospectus Supplement relating to such series of the Preferred Stock. The description set forth below is subject to and qualified in its entirety by reference to the Articles of Amendment to the Restated Articles establishing a particular series of the Preferred Stock which will be filed with the Commission in connection with the offering of such series of Preferred Stock.

GENERAL. Under the Restated Articles, the Board of Directors is authorized, without further shareholder action, to provide for the issuance of up to 30,000,000 shares of Preferred Stock, in one or more series, and to fix the designations, terms, and relative rights and preferences, including the dividend rate, voting rights, conversion rights, redemption and sinking fund provisions and liquidation values of each such series. The Company may amend from time to time its Restated Articles to increase the number of authorized shares of Preferred Stock. Any such amendment would require the approval of the holders of 66 2/3% of the outstanding shares of all series of Preferred Stock voting together as a single class without regard to series. As of the date of this Prospectus, the Company has one series of preferred stock outstanding.

The Preferred Stock will have the dividend, liquidation, redemption, conversion and voting rights set forth below unless otherwise provided in the Prospectus Supplement relating to a particular series of the Preferred Stock. Reference is made to the Prospectus Supplement relating to the particular series of the Preferred Stock offered thereby for specific terms, including: (i) the title and liquidation preference per share of such Preferred Stock and the number of shares offered; (ii) the price at which such Preferred Stock will be issued; (iii) the dividend rate (or method of calculation), the dates on which dividends shall be payable and the dates from which dividends shall commence to accumulate; (iv) any redemption or sinking fund provisions of such Preferred Stock; (v) any conversion provisions of such Preferred Stock; (vi) the voting rights, if any, of such Preferred Stock; and (vii) any additional dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions of such Preferred Stock.

The Preferred Stock will, when issued, be fully paid and nonassessable.

DIVIDEND RIGHTS. The Preferred Stock will be preferred over the Common Stock as to payment of dividends. Before any dividends or distributions (other than dividends or distributions payable in Common Stock) on the Common Stock shall be declared and set apart for payment or paid, the holders of shares of each series of Preferred Stock shall be entitled to receive dividends (either in cash, shares of Common Stock or Preferred Stock, or otherwise) when, as and if declared by the Board of Directors, at the rate and on the date or dates as set forth in the Prospectus Supplement. With respect to each series of Preferred Stock, the dividends on each share of such series shall be cumulative from the date of issue of such share unless some other date is set forth in the Prospectus Supplement relating to any such series. Accruals of dividends shall not bear interest.

RIGHTS UPON LIQUIDATION. The Preferred Stock shall be preferred over the Common Stock as to assets so that the holders of each series of Preferred Stock shall be entitled to be paid, upon the voluntary or involuntary liquidation, dissolution or winding up of the Company and before any

distribution is made to the holders of Common Stock, the amount set forth in the Prospectus Supplement relating to any such series, but in such case the holders of such series of Preferred Stock shall not be entitled to any other or further payment. If upon any such liquidation, dissolution or winding up of the Company its net assets shall be insufficient to permit the payment in full of the respective amounts to which the holders of all outstanding Preferred Stock are entitled, the entire remaining net assets of the Company shall be distributed among the holders of each series of Preferred Stock in amounts proportionate to the full amounts to which the holders of each such series are respectively so entitled.

REDEMPTION. All shares of any series of Preferred Stock shall be redeemable to the extent set forth in the Prospectus Supplement relating to any such series. All shares of any series of Preferred Stock shall be convertible into shares of Common Stock or into shares of any other series of Preferred Stock to the extent set forth in the Prospectus Supplement relating to any such series.

VOTING RIGHTS. Unless otherwise provided in the Prospectus Supplement, the holders of shares of Preferred Stock shall be entitled to one vote for each share of Preferred Stock held by them on all matters properly presented to shareholders, the holders of Common Stock and the holders of all series of Preferred Stock voting together as one class.

\$3.125 CUMULATIVE PREFERRED STOCK

In May 1993, the Company issued 6,000,000 shares of \$3.125 Preferred Stock of which all such shares are currently outstanding. Annual cumulative dividends of \$3.125 per share are payable quarterly as and if declared by the Board of Directors. Each share of \$3.125 Preferred Stock is convertible at any time at the option of the holder thereof into 1.546 shares of Common Stock, equivalent to an initial conversion price of \$32.343 for each share of Common Stock, subject to adjustment in certain circumstances. The \$3.125 Preferred Stock is not redeemable prior to March 25, 1997. On and after such date, the \$3.125 Preferred Stock is redeemable, in whole or in part, at the option of the Company, at \$51.88 per share during the period from March 25, 1997 to March 14, 1998, and declining ratably annually to \$50.31 per share on or after March 15, 2003, plus in each case accrued and unpaid dividends to the redemption date. The holders of \$3.125 Preferred Stock generally have no voting rights, but have the right to elect two additional directors of the Company if the equivalent of six quarterly dividends payable on the \$3.125 Preferred Stock are in arrears. In the case of the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of shares of \$3.125 Preferred Stock are entitled to receive the liquidation preference of \$50 per share, plus an amount equal to any accrued and unpaid dividends to the payment date.

DESCRIPTION OF DEPOSITARY SHARES

GENERAL. The Company may, at its option, elect to offer fractional shares of Preferred Stock, rather than full shares of Preferred Stock. In the event such option is exercised, the Company will issue to the public receipts for Depositary Shares, each of which will represent a fraction (to be set forth in the Prospectus Supplement relating to a particular series of Preferred Stock) of a share of a particular series of Preferred Stock as described below.

The shares of any series of Preferred Stock represented by Depositary Shares will be deposited under a Deposit Agreement (the "Deposit Agreement") between the Company and a bank or trust company selected by the Company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000 (the "Depositary"). Subject to the terms of the Deposit Agreement, each owner of a Depositary Share will be entitled, in proportion to the applicable fraction of a share of Preferred Stock represented by such Depositary Share, to all the rights and preferences of the Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).

The Depositary Shares will be evidenced by depositary receipts issued pursuant to the Deposit Agreement ("Depositary Receipts"). Depositary Receipts will be distributed to those persons purchasing the fractional shares of Preferred Stock in accordance with the terms of the offering. Copies of the

forms of Deposit Agreement and Depositary Receipt will be filed as exhibits to the Registration Statement in connection with the offering of any such Depositary Shares and the following summary is qualified in its entirety by reference to such exhibits.

Pending the preparation of definitive engraved Depositary Receipts, the Depositary may, upon the written order of the Company, issue temporary Depositary Receipts substantially identical to (and entitling the holders thereof to all the rights pertaining to) the definitive Depositary Receipts but not in definitive form. Definitive Depositary Receipts will be prepared thereafter without unreasonable delay, and temporary Depositary Receipts will be exchangeable for definitive Depositary Receipts at the Company's expense.

DIVIDENDS AND OTHER DISTRIBUTIONS. The Depositary will distribute all cash dividends or other cash distributions received in respect of the Preferred Stock to the record holders of Depositary Shares relating to such Preferred Stock in proportion to the number of such Depositary Shares owned by such holders.

In the event of a distribution other than in cash, the Depositary will distribute property received by it to the record holders of Depositary Shares entitled thereto, unless the Depositary determines that it is not feasible to make such distribution, in which case the Depositary may, with the approval of the Company, sell such property and distribute the net proceeds from such sale to such holders.

REDEMPTION OF DEPOSITARY SHARES. If a series of Preferred Stock represented by Depositary Shares is subject to redemption, the Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption, in whole or in part, of such series of Preferred Stock held by the Depositary. The redemption price per Depositary Share will be equal to the applicable fraction of the redemption price per share payable with respect to such series of the Preferred Stock. Whenever the Company redeems shares of Preferred Stock held by the Depositary, the Depositary will redeem as of the same redemption date the number of Depositary Shares representing the shares of Preferred Stock so redeemed. If fewer than all the Depositary Shares are to be redeemed, the Depositary Shares to be redeemed will be selected by lot or PRO RATA as may be determined by the Depositary.

VOTING THE PREFERRED STOCK. Upon receipt of notice of any meeting at which the holders of the Preferred Stock are entitled to vote, the Depositary will mail the information contained in such notice of meeting to the record holders of the Depositary Shares relating to such Preferred Stock. Each record holder of such Depositary Shares on the record date (which will be the same date as the record date for the Preferred Stock) will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of the Preferred Stock represented by such holder's Depositary Shares. The Depositary will endeavor, insofar as practicable, to vote the amount of the Preferred Stock represented by such Depositary Shares in accordance with such instructions, and the Company will agree to take all actions which may be deemed necessary by the Depositary in order to enable the Depositary to do so. The Depositary will abstain from voting shares of the Preferred Stock to the extent it does not receive specific instructions from the holders of Depositary Shares representing such Preferred Stock.

AMENDMENT AND TERMINATION OF THE DEPOSITARY AGREEMENT. The form of Depositary Receipt evidencing the Depositary Shares and any provision of the Deposit Agreement may at any time be amended by agreement between the Company and the Depositary. However, any amendment which materially and adversely alters the rights of the holders of Depositary Shares will not be effective unless such amendment has been approved by the holders of at least a majority of the Depositary Shares then outstanding. The Deposit Agreement may be terminated by the Company or the Depositary only if (i) all outstanding Depositary Shares have been redeemed or (ii) there has been a final distribution in respect of the Preferred Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution has been distributed to the holders of Depositary Receipts.

CHARGES OF DEPOSITARY. The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. The Company will pay charges of the Depositary in connection with the initial deposit of the Preferred Stock and any redemption of the Preferred Stock. Holders of Depositary Receipts will pay other transfer and other taxes and governmental charges and such other charges, including a fee for the withdrawal of shares of Preferred Stock upon surrender of Depositary Receipts, as are expressly provided in the Deposit Agreement to be for their accounts.

MISCELLANEOUS. The Depositary will forward to holders of Depositary Receipts all reports and communications from the Company which are delivered to the Depositary and which the Company is required to furnish to the holders of the Preferred Stock.

Neither the Depositary nor the Company will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement. The obligations of the Company and the Depositary under the Deposit Agreement will be limited to performance in good faith of their duties thereunder and they will not be obligated to prosecute or defend any legal proceeding in respect of any Depositary Shares or Preferred Stock unless satisfactory indemnity is furnished. They may rely upon written advice of counsel or accountants, or upon information provided by persons presenting Preferred Stock for deposit, holders of Depositary Receipts or other persons believed to be competent and on documents believed to be genuine.

RESIGNATION AND REMOVAL OF DEPOSITARY. The Depositary may resign at any time by delivering to the Company notice of its election to do so, and the Company may at any time remove the Depositary, any such resignation or removal to take effect upon the appointment of a successor Depositary and its acceptance of such appointment. Such successor Depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

CERTAIN PROVISIONS OF ASHLAND'S RESTATED ARTICLES

In the event of a proposed merger or tender offer, proxy contest or other attempt to gain control of Ashland not approved by the Board of Directors, it would be possible, subject to any limitations imposed by applicable law, the Restated Articles and the applicable rules of the stock exchanges upon which the Common Stock is listed, for the Board of Directors to authorize the issuance of one or more series of preferred stock with voting rights or other rights and preferences which would impede the success of the proposed merger, tender offer, proxy contest or other attempt to gain control of Ashland. The consent of the holders of Common Stock would not be required for any such issuance of preferred stock.

The Restated Articles incorporate in substance certain provisions of the Kentucky Business Corporation Act to require approval of the holders of at least 80% of Ashland's voting stock, plus two-thirds of the voting stock other than voting stock owned by a 10% shareholder, as a condition to mergers and certain other business combinations involving Ashland and such 10% shareholder unless (a) the transaction is approved by a majority of the continuing directors (as defined) of Ashland or (b) certain minimum price and procedural requirements are met. In addition, the Kentucky Business Corporation Act includes a standstill provision which precludes a business combination from occurring with a 10% shareholder, notwithstanding any vote of shareholders or price paid, for a period of five years after the date such 10% shareholder becomes a 10% shareholder, unless a majority of the independent directors (as defined) of Ashland approves such combination before the date such shareholder becomes a 10% shareholder.

The Restated Articles also provide that (i) the Board of Directors is classified into three classes, (ii) a director may be removed from office without "cause" (as defined) only by the affirmative vote of the holders of at least 80% of the voting power of the then outstanding voting stock of Ashland, (iii) the Board of Directors may adopt By-laws concerning the conduct of, and matters considered at, meetings of shareholders, including special meetings, (iv) the By-laws and certain provisions of the Restated

Articles may be amended only by the affirmative vote of the holders of at least 80% of the voting power of the then outstanding voting stock of Ashland and (v) the By-laws may be adopted or amended by the Board of Directors, subject to amendment or repeal only by affirmative vote of the holders of at least 80% of the voting power of the then outstanding voting stock of Ashland.

DESCRIPTION OF SECURITIES WARRANTS

The Company may issue Securities Warrants for the purchase of Debt Securities, Preferred Stock or Common Stock. Securities Warrants may be issued independently or together with Debt Securities, Preferred Stock or Common Stock offered by any Prospectus Supplement and may be attached to or separate from any such Offered Securities. Each series of Securities Warrants will be issued under a separate warrant agreement (a "Securities Warrant Agreement") to be entered into between the Company and a bank or trust company, as warrant agent (the "Securities Warrant Agent"), all as set forth in the Prospectus Supplement relating to the particular issue of Offered Securities Warrants. The Securities Warrant Agent will act solely as an agent of the Company in connection with the Securities Warrants and will not assume any obligation or relationship of agency or trust for or with any holders of Securities Warrants or beneficial owners of Securities Warrants. The following summary of certain provisions of the Securities Warrants does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Securities Warrant Agreements.

Reference is made to the Prospectus Supplement relating to the particular issue of Securities Warrants offered thereby for the terms of such Securities Warrants, including, where applicable: (i) the designation, aggregate principal amount, currencies, denominations and terms of the series of Debt Securities purchasable upon exercise of Securities Warrants to purchase Debt Securities and the price at which such Debt Securities may be purchased upon such exercise; (ii) the designation, number of shares, stated value and terms (including, without limitation, liquidation, dividend, conversion and voting rights) of the series of Preferred Stock purchasable upon exercise of Securities Warrants to purchase shares of Preferred Stock and the price at which such number of shares of Preferred Stock of such series may be purchased upon such exercise; (iii) the number of shares of Common Stock purchasable upon the exercise of Securities Warrants to purchase shares of Common Stock and the price at which such number of shares of Common Stock may be purchased upon such exercise; (iv) the date on which the right to exercise such Securities Warrants shall commence and the date on which such right shall expire (the "Expiration Date"); (v) United States Federal income tax consequences applicable to such Securities Warrants; and (vi) any other terms of such Securities Warrants. Securities Warrants for the purchase of Preferred Stock and Common Stock will be offered and exercisable for U.S. dollars only. Securities Warrants will be issued in registered form only. The exercise price for Securities Warrants will be subject to adjustment in accordance with the applicable Prospectus Supplement.

Each Securities Warrant will entitle the holder thereof to purchase such principal amount of Debt Securities or such number of shares of Preferred Stock or Common Stock at such exercise price as shall in each case be set forth in, or calculable from, the Prospectus Supplement relating to the Offered Securities Warrants, which exercise price may be subject to adjustment upon the occurrence of certain events as set forth in such Prospectus Supplement. After the close of business on the Expiration Date (or such later date to which such Expiration Date may be extended by the Company), unexercised Securities Warrants will become void. The place or places where, and the manner in which, Securities Warrants may be exercised shall be specified in the Prospectus Supplement relating to such Securities Warrants.

Prior to the exercise of any Securities Warrants to purchase Debt Securities, Preferred Stock or Common Stock, holders of such Securities Warrants will not have any of the rights of holders of the Debt Securities, Preferred Stock or Common Stock, as the case may be, purchasable upon such exercise, including the right to receive payments of principal of, premium, if any, or interest, if any, on

the Debt Securities purchasable upon such exercise or to enforce covenants in the applicable Indenture, or to receive payments of dividends, if any, on the Preferred Stock or Common Stock purchasable upon such exercise or to exercise any applicable right to vote.

PLAN OF DISTRIBUTION

Ashland may sell the Offered Securities in any of three ways: (i) through underwriters or dealers; (ii) directly to one or a limited number of institutional purchasers; or (iii) through agents. This Prospectus or an appropriate Prospectus Supplement (which may be included in a Post-Effective Amendment to the Registration Statement with respect to the Offered Securities) will set forth the terms of the offering of the Offered Securities, which may include the name or names of any underwriters, dealers or agents, the price of the Offered Securities and the net proceeds to Ashland from such sale, any underwriting discounts or other items constituting underwriters' compensation, any discounts or concessions allowed or reallocated or paid to dealers and any securities exchanges on which the Offered Securities may be listed.

If underwriters are used in the sale, the Offered Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Offered Securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by one or more investment banking firms or others, as designated. Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase the Offered Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all the Offered Securities if any are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If a dealer is utilized in the sale of any Offered Securities in respect of which this Prospectus is delivered, Ashland will sell such Offered Securities to the dealer, as principal. The dealer may then resell such Offered Securities to the public at varying prices to be determined by such dealer at the time of resale. The name of the dealer and the terms of the transaction will be set forth in the Prospectus Supplement.

Offered Securities may be sold directly by Ashland to one or more institutional purchasers, or through agents at a fixed price or prices, which may be changed, or at varying prices determined at the time of sale. Unless otherwise indicated in the Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

If so indicated in the Prospectus Supplement, Ashland will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase Offered Securities from Ashland at the public offering price set forth in the Prospectus Supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject only to those conditions set forth in the Prospectus Supplement and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

Ashland intends to enter into a Sales Agency Agreement (the "Sales Agency Agreement") with NatWest Securities Limited and CS First Boston Corporation (the "Agents"), the form of which has been filed as an exhibit to the Registration Statement and is incorporated by reference herein. Subject to the terms and conditions of the Sales Agency Agreement, Ashland may issue and sell up to 3,000,000 shares of Common Stock from time to time through the Agents, as sales agents for Ashland. Ashland reserves the right to appoint additional agents to sell shares of Common Stock pursuant to the Sales Agency Agreement. Ashland is required to designate one Agent (the "Designated Agent") to make all sales under the Sales Agency Agreement during each Pricing Period (as hereinafter defined) and no other Agent is permitted to make any sales during such Pricing Period. Such sales, if any, will be made by means of ordinary brokers' transactions on any national securities exchange, including the New York and Chicago Stock Exchanges, on which such shares of Common Stock are listed. Such

sales will be effected during a series of one or more pricing periods each of which shall end on a Friday (each a "Pricing Period"), each consisting of five consecutive calendar days in duration, unless a shorter period has otherwise been agreed to by Ashland and the Designated Agent. The aggregate number of shares of Common Stock sold in all Pricing Periods will not exceed 3,000,000. Except for the sale of Additional Shares as set forth below, during any Pricing Period, no more than 50,000 shares ("Average Market Price Shares") will be sold. In addition, for each Pricing Period, an Average Market Price (as hereinafter defined) will be computed. With respect to any Pricing Period, "Average Market Price" shall equal the average of the arithmetic mean of the high and low sale prices of the Common Stock reported on the New York Stock Exchange for each trading day of such Pricing Period.

The net proceeds to Ashland with respect to sales of Average Market Price Shares will equal 97.5% of the Average Market Price for each share of Common Stock sold during the Pricing Period (subject to adjustment in certain circumstances), plus Excess Proceeds (as defined below), if any. The compensation to the Designated Agent for such sales in any Pricing Period will equal the difference between the aggregate gross sales prices at which such sales are actually effected and the net proceeds to Ashland for such sales, but in no case will exceed ten percent of such aggregate gross sales prices. To the extent that such aggregate gross sales prices are less than the Average Market Price, the compensation to the Designated Agent would be correspondingly reduced; to the extent that such aggregate gross sales prices are greater than the Average Market Price, the compensation to the Designated Agent will be correspondingly increased (but in no event will exceed ten percent of the aggregate gross sales price). In the event that the average aggregate gross sales price in any Pricing Period equals 97.5% of Average Market Price (or less) for such Pricing Period, all of the proceeds from such sales would be for the account of Ashland and no compensation would be payable to the Designated Agent. To the extent the Designated Agent's compensation under the foregoing formula would otherwise exceed ten percent of the aggregate gross sales prices in any Pricing Period, the excess over ten percent will constitute additional net proceeds to Ashland (the "Excess Proceeds").

Any shares of Common Stock sold by the Designated Agent during the Pricing Period on behalf of Ashland other than Average Market Price Shares ("Additional Shares") will be at a fixed commission rate of \$0.10 per share for the first 50,000 Additional Shares and 1.40% of the gross sales price per share for any Additional Shares in excess thereof. In no event will the compensation to the Designated Agent be in excess of any applicable National Association of Securities Dealers, Inc. requirements.

Settlements of sales of Additional Shares will occur on the fifth business day (or such shorter period as may be required by applicable regulatory authority or as otherwise agreed to by Ashland and the Designated Agent) following the date on which such sales are made. Settlements for sales of Average Market Price Shares will occur on a weekly basis (unless a shorter period is required by applicable regulatory authority or is otherwise agreed to by Ashland and the Designated Agent) on each Monday (or the next succeeding business day if such Monday is not a business day) following the end of each Pricing Period. Purchases of Common Stock from the Designated Agent for Ashland will settle the regular way on the national securities exchange where such purchases were executed. Compensation to the Designated Agent with respect to sales of Average Market Price Shares will be paid out of the proceeds of such settlements. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

At the end of each Pricing Period, Ashland will file a Prospectus Supplement under Rule 424(b)(3) promulgated under the Act, which Prospectus Supplement will set forth the dates included within the Pricing Period, the number of such shares of Common Stock sold through the Designated Agent as sales agent (identifying separately the number of Average Market Price Shares and any Additional Shares), the high and low prices at which Average Market Price Shares were sold during such Pricing Period, the net proceeds to Ashland and the compensation payable by Ashland to the Designated Agent with respect to such sales pursuant to the formula set forth above. Unless otherwise indicated in a Prospectus Supplement, each of the Agents will act on a best efforts basis.

In connection with the sale of the Common Stock on behalf of Ashland, each of the Agents may be deemed to be an "underwriter" within the meaning of the Act, and the compensation of the Agents may be deemed to be underwriting commissions or discounts. Ashland has agreed to provide indemnification and contribution to the Agents against certain civil liabilities, including liabilities under the Securities Act. In the ordinary course of business, each of the Agents provides investment banking services to Ashland. In addition, affiliates of each of the Agents have engaged in commercial banking transactions with Ashland, including acting as participants under the \$320,000,000 Credit Agreement dated as of February 9, 1995, among Ashland and various banks.

The offering of Common Stock pursuant to the Sales Agency Agreement will terminate upon the earlier of (i) the sale of all 3,000,000 shares of Common Stock subject thereto or (ii) termination of the Sales Agency Agreement. The Sales Agency Agreement may be terminated by Ashland in its sole discretion on the date occurring 60 days after the date of the Sales Agency Agreement and every 60 days thereafter. Ashland has covenanted in the Sales Agency Agreement not to directly or indirectly offer or sell any other shares of its Common Stock (other than shares pursuant to employee benefit plans and outstanding convertible securities), or securities convertible into or exchangeable for, or any rights to purchase or acquire, Common Stock without first suspending all activity under the Sales Agency Agreement.

Underwriters and agents may be entitled under agreements entered into with Ashland to indemnification by Ashland against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Underwriters and agents may be customers of, engage in other transactions with or perform services for Ashland in the ordinary course of business.

LEGAL MATTERS

The validity of the issuance of the Offered Securities will be passed upon for Ashland by Cravath, Swaine & Moore, New York, New York, who will rely as to matters of Kentucky law upon the opinion of Thomas L. Feazell, Esq., Senior Vice President, General Counsel and Secretary of Ashland. Cravath, Swaine & Moore has in the past represented and continues to represent the Company in other matters on a regular basis. Samuel C. Butler is a director of Ashland and a partner in the law firm of Cravath, Swaine & Moore and owns beneficially 7,945 shares of Common Stock of Ashland. Thomas L. Feazell owns beneficially 73,467 shares of Common Stock and 200 shares of \$3.125 Preferred Stock of Ashland.

EXPERTS

The consolidated financial statements and schedules of Ashland appearing or incorporated by reference in Ashland's Annual Report (Form 10-K) for the year ended September 30, 1994 have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedules are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

 NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT HERETO AND THE ACCOMPANYING PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY AGENT. THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT HERETO AND THE ACCOMPANYING PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT HERETO OR THE ACCOMPANYING PROSPECTUS NOR ANY SALE MADE HEREUNDER OR THEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THEREOF.

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Ashland Inc.

U.S. \$200,000,000

Medium-Term Notes,
 Series G

PROSPECTUS SUPPLEMENT

CS First Boston

Salomon Brothers Inc

Citicorp Securities, Inc.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSE OF ISSUANCE AND DISTRIBUTION.

The expenses in connection with the issuance and distribution of the securities being registered, other than underwriting compensation, are:

Filing Fee for Registration Statement.....	\$ 206,898
Legal Fees and Expenses.....	50,000
Accounting Fees and Expenses.....	30,000
Trustee's Fees and Expenses.....	25,000
Blue Sky Fees and Expenses.....	15,000
Printing and Engraving Fees.....	20,000
Miscellaneous.....	15,000

Total.....	\$ 361,898

All of the above amounts, other than the Commission filing fee, are estimates only.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Sections 271B.8-500 through 580 of the Kentucky Business Corporation Act contain detailed provisions for indemnification of directors and officers of Kentucky corporations against judgments, penalties, fines, settlements and reasonable expenses in connection with litigation. Under Kentucky law, the provisions of a company's articles and by-laws may govern the indemnification of officers and directors in lieu of the indemnification provided for by statute. The Registrant has elected to indemnify its officers and directors pursuant to its Restated Articles, its By-laws and by contract rather than to have such indemnification governed by the statutory provisions.

Article X of the Restated Articles permits, but does not require, the Registrant to indemnify its directors, officers and employees to the fullest extent permitted by law. The Registrant's By-laws require indemnification of officers and employees of the Registrant and its subsidiaries under certain circumstances. The Registrant has entered into indemnification contracts with each of its directors that require indemnification to the fullest extent permitted by law, subject to certain exceptions and limitations.

The Registrant has purchased insurance which insures (subject to certain terms and conditions, exclusions and deductibles) the Registrant against certain costs which it might be required to pay by way of indemnification to its directors or officers under its Restated Articles or By-laws, indemnification agreements or otherwise and protects individual directors and officers from certain losses for which they might not be indemnified by the Registrant. In addition, the Registrant has purchased insurance which provides liability coverage (subject to certain terms and conditions, exclusions and deductibles) for amounts which the Registrant, or the fiduciaries under its employee benefit plans, which may include its directors, officers and employees, might be required to pay as a result of a breach of fiduciary duty.

ITEM 16. EXHIBITS.

The following Exhibits are filed as part of this Registration Statement:

- **1.1 -- Form of Underwriting Agreement.
- 1.2 -- Form of Distribution Agreement.
- 1.3 -- Form of Sales Agency Agreement.
- 3.1 -- Second Restated Articles of Incorporation of the Company, as amended effective May 18, 1993 (incorporated by reference to Exhibit 3.1 to Registrant's Form 10-K for the year ended September 30, 1994).

- 3.2 -- By-laws of the Company, as amended effective March 17, 1994 (incorporated by reference to Exhibit 3.2 to Registrant's Form 10-K for the year ended September 30, 1994).
- 4.1 -- Indenture, dated as of August 15, 1989 as amended and restated as of August 15, 1990 between the Company and Citibank, N.A., as Trustee (incorporated by reference to Exhibit 4(a) to Registration Statement No. 33-39359, filed with the Commission on March 11, 1991).
- 4.2 -- Form of Senior Security (incorporated by reference to Exhibit 4(a) to Registration Statement No. 33-39359, filed with the Commission on March 11, 1991).
- *4.3 -- Form of Indenture for Subordinated Securities.
- *4.4 -- Form of Subordinated Security.
- *4.5 -- Rights Agreement dated as of May 15, 1986, between the Company and Mellon Bank N.A., as amended.
- **4.6 -- Form of Warrant Agreement for Debt Securities.
- **4.7 -- Form of Warrant Certificate for Debt Securities.
- **4.8 -- Form of Warrant Agreement for Preferred Stock.
- **4.9 -- Form of Warrant Certificate for Preferred Stock.
- **4.10 -- Form of Warrant Agreement for Common Stock.
- **4.11 -- Form of Warrant Certificate for Common Stock.
- **4.12 -- Form of Deposit Agreement for Depositary Shares.
- **4.13 -- Form of Depositary Receipt.
- 4.14 -- Form of Certificate of Common Stock, par value \$1.00 per share, of the Company (incorporated by reference to Exhibit 4(e) to Registration No. 33-60040, filed with the Commission on March 26, 1993).
- 4.15 -- Proposed form of Debt Securities (Certificated Medium-Term Note, Series G, Fixed Rate).
- 4.16 -- Proposed form of Debt Securities (Certificated Medium-Term Note, Series G, Floating Rate).
- 4.17 -- Proposed form of Debt Securities (Book-Entry Medium-Term Note, Series G, Fixed Rate).
- 4.18 -- Proposed form of Debt Securities (Book-Entry Medium-Term Note, Series G, Floating Rate).
- *5 -- Opinion of Thomas L. Feazell, Esq.
- 12 -- Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- 23.1 -- Consent of Ernst & Young LLP.
- *23.2 -- Consent of Thomas L. Feazell, Esq. (included as part of Exhibit 5).
- *24 -- Power of Attorney, including resolutions of the Board of Directors.
- *26 -- Form T-1 Statement of Eligibility and Qualification of Trustee under the Trust Indenture Act of 1939 for Citibank, N.A.

 * Previously filed
 ** To be filed

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

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

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act unless the information required to be included in such post-effective amendment is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement unless the information required to be included in such post-effective amendment is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement; and

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

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

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

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

The undersigned Registrant hereby, undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

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

The undersigned Registrant hereby undertakes to file an application for the purpose of determining the eligibility of the Trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Trust Indenture Act.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Post-Effective Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Russell, Commonwealth of Kentucky, on April 12, 1995.

ASHLAND INC.,

by /s/ THOMAS L. FEAZELL

Thomas L. Fezell
Senior Vice President, General
Counsel
and Secretary

Pursuant to the requirements of the Securities Act, this Post-Effective Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities indicated on April 12, 1995.

SIGNATURE

TITLE

JOHN R. HALL*

Chairman of the Board and Chief
Executive Officer (Principal
Executive Officer)

PAUL W. CHELLGREN*

President, Chief Operating Officer
and Director

J. MARVIN QUIN*

Senior Vice President and Chief
Financial Officer (Principal
Financial Officer)

KENNETH L. AULEN*

Administrative Vice President and
Controller (Principal Accounting
Officer)

THOMAS E. BOLGER*

Director

SAMUEL C. BUTLER*

Director

FRANK C. CARLUCCI*

Director

JAMES B. FARLEY*

Director

SIGNATURE

TITLE

 EDMUND B. FITZGERALD* Director

RALPH E. GOMORY* Director

MANNIE L. JACKSON* Director

PATRICK F. NOONAN* Director

JANE C. PFEIFFER* Director

MICHAEL D. ROSE* Director

WILLIAM L. ROUSE, JR.* Director

ROBERT B. STOBAUGH* Director

JAMES W. VANDEVEER* Director

*by /s/ THOMAS L. FEAZELL

Thomas L. Feazell
 Attorney-in-fact

* Original powers of attorney authorizing John R. Hall, Paul W. Chellgren, Thomas L. Feazell, James G. Stephenson and David L. Hausrath and each of them to sign the Registration Statement and amendments thereto on behalf of the above-mentioned directors and officers of the Registrant have been filed with the Commission as Exhibit 24 to the Registration Statement.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
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1.2	Form of Distribution Agreement.
1.3	Form of Sales Agency Agreement.
3.1	Second Restated Articles of Incorporation of the Company, as amended effective May 18, 1993 (incorporated by reference to Exhibit 3.1 to Registrant's Form 10-K for the year ended September 30, 1994).
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12	Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
23.1	Consent of Ernst & Young LLP.
*23.2	Consent of Thomas L. Feazell, Esq. (included as part of Exhibit 5).

EXHIBIT NO.

DESCRIPTION

*24	Power of Attorney, including resolutions of the Board of Directors.
*26	Form T-1 Statement of Eligibility and Qualification of Trustee under the Trust Indenture Act of 1939 for Citibank, N.A.

* Previously filed

** To be filed

U.S. \$200,000,000
MULTIPLE CURRENCY
MEDIUM-TERM NOTES, SERIES G
DUE NINE MONTHS OR MORE
FROM DATE OF ISSUE

ASHLAND INC.

DISTRIBUTION AGREEMENT

April ____, 1995
New York, New York

CS First Boston Corporation
Park Avenue Plaza
55 East 52nd Street
New York, N.Y. 10055

Salomon Brothers Inc
Seven World Trade Center
New York, N.Y. 10048

Citicorp Securities, Inc.
399 Park Avenue
New York, N.Y. 10043

Ladies and Gentlemen:

Ashland Inc., a Kentucky corporation (the "Company"), confirms its agreement with you with respect to the issue and sale by the Company of up to \$200,000,000 aggregate principal amount of its Medium-Term Notes, Series G, Due Nine Months or More from Date of Issue (the "Notes"). The Notes will have the annual interest rates, maturities, redemption provisions and other terms as set forth in a pricing supplement ("Pricing Supplement") to the Prospectus referred to below. The Notes will be issued under an Indenture dated as of August 15, 1989 as amended and restated as of August 15, 1990 (the "Indenture"), between the Company and Citibank, N.A., as trustee (the "Trustee"). The Notes will be issued, and the terms thereof established, in accordance with the Indenture and, in the case of Notes sold pursuant to Section 1(a), the Medium-Term Notes Administrative Procedures attached hereto as Annex A (the "Procedures"). For the purposes of this Agreement, the term "Agents" shall refer to any or all of you (and any other person appointed by the Company in accordance with Section 1(a)) acting solely in the capacity as agent for the Company pursuant to

Section 1(a) and not as principal, the term "Purchasers" shall refer to any or all of you acting solely as principal pursuant to Section 1(g) and not as agent, the term "you" shall refer to you acting in both such capacities or in either such capacity and the term "Closing Date" shall mean the date of delivery of any Notes sold hereunder, whether to purchasers solicited by you as agents or to you as principal. The term "Terms Agreement" is defined in Section 1(g). Other terms are defined in Section 3.

1. APPOINTMENT OF AGENT; SOLICITATION BY THE AGENT OF OFFERS TO PURCHASE; SALES OF NOTES TO A PURCHASER. (a) Subject to the terms and conditions set forth herein, the Company hereby appoints the Agents to act as its agents for the purpose of soliciting offers to purchase all or part of the Notes from the Company upon the terms set forth in the Prospectus, as amended or supplemented from time to time, and in the Procedures. The Company shall have the right to appoint additional persons to act as its agents for such purposes upon three days prior notice to the Agents then acting hereunder so long as any such additional persons become parties to this Agreement upon the same terms and conditions as shall then be applicable to such Agents. So long as this Agreement shall remain in effect with respect to any Agents, the Company shall not, without the consent of such Agents, solicit offers to purchase Notes otherwise than through one of such Agents, except as contemplated by Section 1(g) hereof and except that nothing contained herein shall be construed to prevent the Company from selling Notes at any time (x) in a firm commitment underwriting pursuant to an underwriting agreement which does not provide for a continuous offering of such Notes or (y) directly to investors other than the Purchasers, and no commission shall be payable to the Agents with respect to any such sales. The Company also reserves the right to sell Notes through agents other than pursuant to this Agreement where offers to purchase are received through such agents on an unsolicited basis. Settlement of such sales will be on substantially the same terms and conditions as are contained herein, including commissions.

(b) On the basis of the representations and warranties set forth herein, but subject to the terms and conditions set forth herein, each Agent agrees to use its reasonable efforts, as agent of the Company, to solicit offers to purchase Notes from the Company upon the terms set forth in the Prospectus, as amended or supplemented from time to time, and in the Procedures. Subject to the provisions of Section 1(c) and to the Procedures, offers for the purchase of Notes may be solicited at such times and in such amounts as each Agent may from time to time deem advisable.

(c) The Company reserves the right, in its sole discretion, to suspend solicitation of offers to purchase Notes from the Company at any time for any period of time or permanently. Upon receipt of at least one business day's prior notice from the Company, the Agents forthwith will suspend their solicitation of offers to purchase Notes from the Company until such time as the Company has advised the Agents that such solicitation may be resumed.

(d) Each Agent will communicate to the Company, orally or in writing, each offer to purchase Notes from the Company that is received by such Agent as agent of the Company and that is not rejected by such Agent as provided below. The Company will have the sole right to accept offers to purchase Notes from the Company and may reject any such offer, in whole or in part, for any reason. Each Agent may, without notice to the Company, in its discretion reasonably exercised, reject any offer to purchase Notes from the Company that is received by such Agent, in whole or in part, and any such rejection shall not be deemed a breach of such Agent's agreements contained herein.

(e) The Company agrees to pay each Agent a commission, on the Closing Date with respect to each sale of Notes by the Company as a result of a solicitation made by such Agent, in an amount equal to that percentage specified in Schedule I hereto of the aggregate principal amount of each Note sold by the Company. Such commission shall be payable as specified in the Procedures. The commission rates may be amended from time to time by written agreement of the Company and the Agents. The Terms Agreement may specify any concessions allowed or reallocated or paid to dealers.

(f) Each Agent agrees, with respect to any Note denominated in a currency other than U.S. dollars, as agent, directly or indirectly, not to solicit offers to purchase, and as principal under any Terms Agreement or otherwise, directly or indirectly, not to offer, sell or deliver, such Note in, or to residents of, the country issuing such currency (or, if such Note is denominated in a composite currency, in any country issuing a currency comprising a portion of such composite currency), except as permitted by applicable law.

(g) Subject to the terms and conditions stated herein, whenever the Company and you determine that the Company shall sell Notes directly to any or all of you acting as principal (the "Purchaser"), each such sale of Notes shall be made in accordance with the terms of this Agreement and any supplemental agreement relating thereto between the Company and the Purchaser. Each such supplemental agreement (which shall be substantially in the form of Annex B) is herein referred to as a "Terms Agreement". The Purchaser's commitment to purchase Notes pursuant to any Terms Agreement shall be deemed to have been made on the basis of the representations and warranties of the Company herein contained and shall be subject to the terms and conditions herein set forth. Each Terms Agreement shall describe the Notes to be purchased by the Purchaser pursuant thereto, specify the maturity and principal amount of such Notes, the price to be paid to the Company for such Notes, the rate at which interest will be paid on the Notes, the Closing Date for such Notes, the place of delivery of the Notes and payment therefor, the method of payment and any modification of the requirements for the delivery of the opinions of counsel, the certificates from the Company or its officers, and the letter from the Company's independent public accountants, pursuant to Section 7(c). Such Terms Agreement shall also specify the period of time referred to in Section 5(1). The Terms Agreement may specify the terms upon which an Agent may resell any Notes to other dealers.

Delivery of the certificates if the Notes are certificated, or entry into the books of the Depository Trust Company if the Notes are book-entry Notes, for Notes sold to the Purchaser pursuant to any Terms Agreement shall be made as agreed to between the Company and the Purchaser as set forth in the respective Terms Agreement, not later than the Closing Date set forth in such Terms Agreement, against payment of funds to the Company in the amount due to the Company for such Notes by the method and in the form set forth in the respective Terms Agreement.

2. OFFERING PROCEDURES. The Procedures may be amended only by written agreement of the Company and the Agents after notice to the Trustee, and, to the extent any such amendment materially affects the Trustee, with the approval of the Trustee. The Company and the Agents agree to perform the respective duties and obligations specifically provided to be performed by them in the Procedures. The Company will furnish to the Trustee a copy of the Procedures as from time to time in effect.

3. REGISTRATION STATEMENT AND PROSPECTUS. The Company has filed with the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Act of 1933 (the "Securities Act") and the published rules and regulations adopted by the Commission thereunder (the "Rules"), a registration statement on Form S-3 (No. 33-57011) as amended by Amendment No. 1 and Post-Effective Amendment No. 1 thereto (the "Registration Statement") relating to \$600,000,000 aggregate principal amount of securities, including debt securities, (the "Securities") of the Company registered under the Securities Act. The Company has included in the Registration Statement, or has filed or will file with the Commission pursuant to the applicable paragraph of Rule 424(b) and Rule 429 under the Securities Act, a supplement to the form of prospectus included in the Registration Statement relating to the Notes and the plan of distribution thereof (the "Prospectus Supplement"). In connection with the sale of the Notes, the Company proposes to file with the Commission pursuant to the applicable paragraph of Rule 424(b) and Rule 429 under the Securities Act further supplements to the Prospectus Supplement specifying the interest rates, maturity dates, redemption provisions and other similar terms of the Notes sold pursuant hereto or the offering thereof. The Indenture has been qualified under the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The term "the Effective Date" shall mean each date that the Registration Statement and any posteffective amendment or amendments thereto became or becomes effective. "Basic Prospectus" shall mean the form of basic prospectus relating to the Securities contained in the Registration Statement at the Effective Date. The term "Prospectus" means the Basic Prospectus as supplemented by the Prospectus Supplement. Any reference herein to the Registration Statement, the Basic Prospectus, the Prospectus Supplement or the Prospectus includes the documents incorporated by reference therein pursuant to Item 12 of Form S-3 (the "Incorporated Documents") which were filed under the Securities Exchange Act of 1934 (the "Exchange Act") on or before the Effective Date of the Registration Statement or the issue date of the Basic Prospectus,

the Prospectus Supplement or the Prospectus, as the case may be, and any reference herein to "amend", "amendment" or "supplement" with respect to the Registration Statement, the Basic Prospectus, the Prospectus Supplement or the Prospectus includes the Incorporated Documents filed under the Exchange Act after the Effective Date of the Registration Statement or the issue date of the Basic Prospectus, the Prospectus Supplement or the Prospectus, as the case may be.

The Company confirms that you are authorized to distribute the Prospectus and any amendments or supplements thereto.

4. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to you as follows:

(a) The Company meets the requirements for the use of Form S-3 under the Securities Act. The Registration Statement meets the requirements set forth in Rule 415(a)(1)(x) of the Rules and complies in all other material respects with Rule 415 of the Rules.

(b) As of the date hereof, when any amendment to the Registration Statement becomes effective (including the filing with the Commission of any document incorporated by reference in the Registration Statement), when any amendment or supplement to the Prospectus is filed with the Commission pursuant to Rule 424 of the Rules, as of the date of any Terms Agreement and on any Closing Date, (i) the Registration Statement, as amended as of any such time, the Prospectus, as amended or supplemented as of any such time, and the Incorporated Documents will comply in all material respects with the applicable requirements of the Securities Act and the Rules, and the Exchange Act and the Trust Indenture Act and the respective published rules and regulations adopted by the Commission thereunder, (ii) the Registration Statement, as amended as of any such time, did not or will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, and (iii) the Prospectus, as supplemented as of any such time, will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that this representation and warranty does not apply to (x) statements or omissions made in reliance on and in conformity with information relating to you furnished in writing to the Company by you expressly for use in the Registration Statement, the Prospectus or any amendment or supplement thereto or (y) that part of the Registration Statement consisting of the Statement of Eligibility and Qualification on Form T-1 of the Trustee under the Trust Indenture Act, except statements or omissions in such Statement made in reliance upon information furnished in writing to the Trustee by or on behalf of the Company for use therein.

5. AGREEMENTS. (a) Prior to the termination of the offering of the Notes under this Agreement, the Company will not file any amendment or supplement to the Registration Statement or the Prospectus (except for a supplement relating to an offering of Securities other than Notes and filings with the Commission pursuant to the Exchange Act) unless a copy thereof has been submitted to you a reasonable period of time before its filing and you have not reasonably objected thereto within a reasonable period of time after receiving such copy. Subject to the foregoing sentence, the Company will cause each amendment or supplement to the Prospectus to be filed with the Commission as required pursuant to the applicable paragraph of Rule 424(b) of the Rules or, in the case of any document to be incorporated therein by reference, to be filed with the Commission as required pursuant to the Exchange Act, within the time period prescribed.

(b) The Company will advise you promptly (i) when each amendment or supplement to the Prospectus shall have been filed with the Commission pursuant to Rule 424(b) of the Rules or, in the case of any document incorporated therein by reference, when such document shall have been filed with the Commission pursuant to the Exchange Act, (ii) when, prior to the termination of the offering of the Notes, any amendment to the Registration Statement shall have been filed or become effective, (iii) of the initiation or threatening of any proceedings for, or receipt by the Company of any notice with respect to, the suspension of the qualification of the Notes for sale in any jurisdiction or the issuance of any order by the Commission suspending the effectiveness of the Registration Statement, and (iv) of the receipt by the Company or any representative or attorney of the Company of any other communication from the Commission relating to the Registration Statement, the Prospectus or any amendment or supplement thereto or to the transactions contemplated by this Agreement. The Company will use reasonable efforts to prevent the issuance of an order suspending the effectiveness of the Registration Statement and, if any such order is issued, to obtain its lifting as soon as possible.

(c) The Company will deliver to you, without charge, three signed copies of the Registration Statement and each post-effective amendment thereto (including all exhibits filed with any such document) and as many conformed copies of the Registration Statement and each such amendment (excluding exhibits) and the Indenture as you may reasonably request.

(d) During such period as (i) a prospectus is required by law to be delivered by you and (ii) no suspension of solicitation of offers to purchase Notes pursuant to Section 1(c) shall be in effect (any such time referred to in clause (ii) and any time when any Agent shall own any Notes with the intention of reselling them or the Company has accepted an offer to purchase Notes but the related settlement has not occurred being referred to herein as a "Marketing Time"), the Company will deliver, without charge, to you, at such office or offices as you may designate, as many copies of the Prospectus or any amendment or supplement thereto as you may reasonably

request, and, if any event occurs during such period as a result of which the Prospectus, as then amended or supplemented, would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if during such period it is necessary to amend the Registration Statement or to amend or supplement the Prospectus to comply with the Securities Act or the Rules or the Exchange Act or the published rules and regulations adopted by the Commission thereunder, the Company promptly will (y) notify you to suspend solicitation of offers to purchase Notes from the Company and (z) prepare and file with the Commission, subject to Section 5(a), and deliver, without charge, to you, an amendment or supplement which will correct such statement or omission or effect such compliance, and supply any supplemented Prospectus to you in such quantities as you may reasonably request.

(e) The Company will make generally available to its security holders as soon as practicable, but in any event not later than 15 months after (i) the Effective Date of the Registration Statement, (ii) the Effective Date of each post-effective amendment to the Registration Statement, and (iii) the date of each filing by the Company with the Commission of an Annual Report on Form 10-K that is incorporated by reference in the Registration Statement, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 of the Rules.

(f) The Company will take such actions as you may reasonably designate in order to qualify the Notes for offer and sale under the securities or "blue sky" laws of such jurisdictions as you designate, will maintain such qualification in effect for so long as may be required for the distribution of the Notes and will arrange for the determination of the legality of the Notes for purchase by institutional investors.

(g) During the term of this Agreement, the Company will supply to you copies of such financial statements and other periodic and special reports as the Company may from time to time distribute generally to the holders of any class of its capital stock and of each annual or other report it is required to file with the Commission. The Company shall furnish to you such information, documents, certificates of officers of the Company and opinions of counsel for the Company relating to the business, operations and affairs of the Company, the Registration Statement, the Prospectus, and any amendments thereof or supplements thereto, the Indenture, the Notes, this Agreement, the Procedures and the performance by the Company and you of its and your respective obligations hereunder and thereunder as you may from time to time and at any time prior to the termination of this Agreement reasonably request.

(h) The Company will, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, (i) pay, or reimburse if paid by you, all costs and expenses incident to the performance of the obligations of the Company under this Agreement, including costs and expenses relating to (A) the

preparation, printing and filing of the Registration Statement and exhibits thereto, the Prospectus, all amendments and supplements to the Registration Statement and the Prospectus, and the printing or other reproduction of the Indenture and this Agreement, (B) the authorization and issuance of the Notes, the preparation and delivery of certificates for the Notes, and the fees charged in connection with the maintenance of a book-entry system for the Notes, (C) the registration or qualification of the Notes for offer and sale under the securities or "blue sky" laws of the jurisdictions referred to in paragraph (f) of this Section 5 and the determination of the legality of the Notes for investment, including the reasonable fees and disbursements of counsel for you in that connection, and the preparation and printing of preliminary and supplemental "blue sky" memoranda and legal investment memoranda, (D) the furnishing (including costs of shipping and mailing) to you of copies of the Prospectus, and all amendments or supplements to the Prospectus, and of all other documents, reports and other information required by this Section to be so furnished, (E) all transfer taxes, if any, with respect to the sale and delivery of the Notes by the Company, (F) the fees and expenses of the Trustee, and (G) the fees charged by rating agencies in connection with any rating of the Notes, (ii) reimburse you on a quarterly basis for all reasonable out-of-pocket expenses (including advertising expenses) incurred by you with the advance approval of the Company, and (iii) reimburse the reasonable fees and disbursements of counsel for you incurred in connection with this Agreement.

(i) During any Marketing Time, each time that either of the Registration Statement or the Prospectus is amended or supplemented (other than by an amendment or supplement (x) relating to any offering of Securities other than the Notes, (y) providing solely for the specification of or a change in the maturity dates, the interest rates, the issuance prices or other similar terms of any Notes sold pursuant hereto or (z) resulting from the filing by the Company of a Current Report on Form 8-K (or any similar successor form), unless in the case of clause (z) above, in your reasonable judgment, such Current Report is of such a nature that a certificate should be furnished), including by the filing of any document incorporated therein by reference, the Company will deliver or cause to be delivered forthwith to you a certificate of the Company, signed by the Chairman of the Board, the President, or any Senior or Administrative Vice President or any Vice President and the principal financial or accounting officer of the Company, dated the date of the effectiveness of such amendment or the date of filing of such supplement, in form reasonably satisfactory to you, to the effect that the statements contained in the certificate that was last furnished to you pursuant to either Section 6(c) or this paragraph (i) are true and correct at the time of the effectiveness of such amendment or the filing of such supplement as though made at and as of such time (except that (i) the last day of the fiscal quarter for which financial statements of the Company were last filed with the Commission shall be substituted for the corresponding date in such certificate and (ii) such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented to the time of the effectiveness of such

amendment or the filing of such supplement) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in Section 6(c) but modified to relate to the last day of the fiscal quarter for which financial statements of the Company were last filed with the Commission and to the Registration Statement and the Prospectus as amended or supplemented to the time of the effectiveness of such amendment or the filing of such supplement.

(j) During any Marketing Time, each time that either of the Registration Statement or the Prospectus is amended or supplemented (other than by an amendment or supplement (x) relating to any offering of Securities other than the Notes, (y) providing solely for the specifications of or a change in the maturity dates, the interest rates, the issuance prices or other similar terms of any Notes sold pursuant hereto, or (z) resulting from the filing by the Company of a Quarterly Report on Form 10-Q or a Current Report on Form 8-K (or any similar successor forms), unless, in the case of clause (z) above, in your reasonable judgment, such Quarterly or Current Report is of such a nature that an opinion of counsel should be furnished), including by the filing of any document incorporated therein by reference, the Company will furnish or cause to be furnished forthwith to you a written opinion of counsel for the Company reasonably satisfactory to you, dated the date of the effectiveness of such amendment or date of filing of such supplement, in form reasonably satisfactory to you, of the same tenor as the opinion referred to in Section 6(d) but modified to relate to the Registration Statement and the Prospectus as amended or supplemented to the time of the effectiveness of such amendment or the filing of such supplement or, in lieu of such opinion, counsel last furnishing such an opinion to you may furnish you with a letter to the effect that you may rely on such counsel's last opinion to the same extent as though it were dated the date of such letter authorizing reliance (except that statements in such counsel's last opinion will be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented to the time of the effectiveness of such amendment or the filing of such supplement).

(k) During any Marketing Time, each time that either of the Registration Statement or the Prospectus is amended or supplemented to set forth amended or supplemental financial information (other than by an amendment or supplement resulting from the filing by the Company of a Quarterly Report on Form 10-Q or a Current Report on Form 8-K (or any similar successor forms), unless, in your reasonable judgment, such Quarterly Report or Current Report is of such a nature that a letter from the Company's independent public accountants should be furnished), the Company will cause its independent public accountants forthwith to furnish a letter, dated the date of the effectiveness of such amendment or the date of filing of such supplement, in form satisfactory to you, of the same tenor as the letter referred to in Section 6(f) with such changes as may be necessary to reflect the amended and supplemental financial information included or incorporated by reference in the Registration Statement and the Prospectus, as amended or supplemented to the date of such letter, provided that if either of the Registration Statement or the Prospectus is

amended or supplemented solely to include or incorporate by reference financial information as of and for a fiscal quarter and you shall have reasonably requested that such a letter be furnished, the Company's independent public accountants may limit the scope of such letter, which shall be satisfactory in form to you, to the unaudited financial statements, the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any other information of an accounting, financial or statistical nature included in such amendment or supplement.

(l) During the period, if any, specified in any Terms Agreement, the Company shall not, without the prior consent of the Purchaser, issue or announce the proposed issuance of any of its debt securities, including Notes, with terms substantially similar to the Notes being purchased pursuant to such Terms Agreement.

(m) Each acceptance by the Company of an offer for the purchase of Notes shall be deemed to be an affirmation that its representations and warranties contained in this Agreement are true and correct at the time of such acceptance and a covenant that such representations and warranties will be true and correct at the time of delivery to the purchaser of the Notes relating to such acceptance as though made at and as of each such time, it being understood that such representations and warranties shall relate to the Registration Statement and the Prospectus as amended or supplemented at each such time. Each such acceptance by the Company of an offer for the purchase of Notes shall be deemed to constitute an additional representation, warranty and agreement by the Company that, as of the settlement date for the sale of such Notes, after giving effect to the issuance of such Notes, of any other Notes to be issued on or prior to such settlement date and of any other Securities, which have been issued and sold by the Company will not exceed the amount of Securities registered pursuant to the Registration Statement.

6. CONDITIONS OF THE AGENTS' OBLIGATIONS. The obligations of the Agents to solicit offers to purchase Notes from the Company are subject to the accuracy of the representations and warranties of the Company in this Agreement on the date of this Agreement, when any amendment to the Registration Statement becomes effective (including the filing with the Commission of any document incorporated by reference in the Registration Statement), when any amendment or supplement to the Prospectus is filed with the Commission pursuant to the applicable paragraph of Rule 424(b) or Rule 429 of the Rules and on each Closing Date, to performance by the Company of its obligations under this Agreement and to each of the following additional conditions:

(a) If filing of the Prospectus, or any supplement thereto, is required pursuant to Rule 424(b), the Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424(b); and no order suspending the effectiveness of the Registration Statement, as amended from time to time, may be in effect and no proceedings for such purpose may be pending before or threatened by the Commission, and any requests for additional information on the part of the

Commission (to be included in the Registration Statement or the Prospectus or otherwise) must be complied with to the reasonable satisfaction of the Agents.

(b) Since the date of the most recent financial statements included or incorporated by reference in the Prospectus, (i) there must not have been any material adverse change or decrease (of the type indicated in paragraphs (ii)(B) or (ii)(C) of Annex D to this Agreement) specified in the most recent letter of the type referred to in Section 5(k) or in paragraph (f) of this Section 6, (ii) there must not have been any material adverse change in the general affairs, prospects, management, business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated by the Prospectus, as amended or supplemented at the time of acceptance by the Company of any offer to purchase the Notes, (iii) the Company and its subsidiaries taken as a whole must not have sustained any material loss or interference with their business or properties from fire, explosion, earthquake, flood or other calamity, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree not described in the Prospectus, as then amended or supplemented at the time of acceptance by the Company of any offer to purchase the Notes, and (iv) there must not have been any downgrading in the rating of any of the Company's long-term debt securities by Standard & Poor's Corporation ("S&P") or Moody's Investors Service ("Moody's"), if, in the judgment of the Agents, any such development referred to in clause (i), (ii), (iii) or (iv) makes it impracticable or inadvisable to proceed with the soliciting of offers to purchase Notes from the Company as contemplated by the Prospectus, as then amended or supplemented.

(c) The Company shall have furnished to the Agents on the date of this Agreement a certificate of the Company, signed by the Chairman of the Board, the President, or any Senior or Administrative Vice President or any Vice President and the principal financial or accounting officer of the Company, dated such date, certifying that the signers have carefully examined the Registration Statement, the Prospectus, the Indenture and this Agreement, and, to the best of their knowledge, after reasonable investigation, (i) the representations and warranties of the Company in this Agreement are accurate on and as of the date of such certificate and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied as a condition to the obligation of the Agents to solicit offers to purchase the Notes, (ii) there has not been any material adverse change in the general affairs, prospects, management, business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus, as amended or supplemented as of the date of such certificate, and (iii) no actions to suspend the effectiveness of the Registration Statement, as amended as of the date of such certificate, or to prohibit the sale of the Notes have been taken or threatened by the Commission.

(d) The Agents shall have received on the date of this Agreement from Thomas L. Feazell, Esq., Senior Vice President, General Counsel and Secretary of the Company, and Cravath, Swaine & Moore, special counsel to the Company, opinions dated such date substantially in the forms set forth in Annex C-1 and Annex C-2-A to this Agreement.

(e) The Agents shall have received on the date of this Agreement from Davis Polk & Wardwell, their counsel, an opinion dated such date with respect to the Company, the Notes, the Indenture, the Registration Statement, the Prospectus, this Agreement and the form and sufficiency of all proceedings taken in connection with the sale and delivery of the Notes. Such opinion and proceedings shall be satisfactory in all respects to the Agents. The Company must have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to render such opinion.

(f) The Agents shall have received, at the date of this Agreement, a signed letter from Ernst & Young LLP substantially in the form of Annex D to this Agreement.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement will comply with this Agreement only if they are in form and scope reasonably satisfactory to the Agents and their counsel.

If any of the conditions specified in this Section 6 shall not have been fulfilled when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be reasonably satisfactory in form and substance to the Agents and their counsel, this Agreement and all obligations of the Agents hereunder may be canceled at any time by the Agents. Notice of such cancellation shall be given to the Company in writing or by telephone or telegraph confirmed in writing.

The documents required to be delivered by this Section 6 shall be delivered at the offices of Davis Polk & Wardwell, counsel for the Agents, at 450 Lexington Avenue, New York, New York, on the date of this Agreement.

7. CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER. The obligations of the Purchaser to purchase any Notes from the Company are subject to the accuracy, on the Closing Date for such Notes, of the representations and warranties of the Company in this Agreement, to performance by the Company of its obligations under this Agreement and to each of the following additional conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened.

(b) Since the date of the most recent financial statements included or incorporated by reference in the Prospectus, (i) there must not have been any material adverse change or decrease (of the type indicated in paragraphs (ii)(B) or (C) of Annex D to this Agreement) specified in the most recent letter of the type referred to in Section 5(k) or in paragraph (c) of this Section 7, (ii) there must not have been any material adverse change in the general affairs, prospects, management, business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated by the Prospectus, as amended or supplemented at the date of execution of the Terms Agreement relating to such Notes, (iii) the Company and its subsidiaries taken as a whole must not have sustained any material loss or interference with their business or properties from fire, explosion, earthquake, flood or other calamity, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree not described in the Prospectus, as amended or supplemented at the date of execution of the Terms Agreement relating to such Notes, and (iv) there must not have been any downgrading in the rating of any of the Company's long-term debt securities by S&P or Moody's, if, in the judgment of the Purchaser, any such development referred to in clause (i), (ii), (iii) or (iv) makes it impracticable or inadvisable to consummate the sale and delivery of the Notes to the Purchaser as contemplated by the Prospectus, as then amended or supplemented.

(c) If specified by any related Terms Agreement and except to the extent modified by such Terms Agreement, the Purchaser shall have received (i) a certificate of the Company, dated as of such Closing Date, to the effect set forth in Section 6(c), (ii) the opinions of Thomas L. Feazell, Esq., Senior Vice President, General Counsel and Secretary of the Company, and Cravath, Swaine & Moore, special counsel to the Company, each dated as of such Closing Date, to the effect set forth in Section 6(d), (iii) the opinion of Davis Polk & Wardwell, counsel for the Purchaser, dated as of such Closing Date, to the effect set forth in Section 6(e), and (iv) a letter of Ernst & Young LLP, independent accountants for the Company, dated as of such Closing Date, to the effect set forth in Section 6(f).

(d) Prior to the Closing Date, the Company shall have furnished to the Purchaser such further information, certificates and documents as the Purchaser may reasonably request.

If any of the conditions specified in this Section 7 shall not have been fulfilled when and as provided in this Agreement and any Terms Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement or such Terms Agreement shall not be reasonably satisfactory in form and substance to the Purchaser and its counsel, such Terms Agreement and all obligations of the Purchaser thereunder and with respect to the Notes subject thereto may be canceled at, or at any

time prior to, the respective Closing Date by the Purchaser. Notice of such cancellation shall be given to the Company in writing or by telephone or telegraph confirmed in writing.

8. RIGHT OF PERSON WHO AGREED TO PURCHASE TO REFUSE TO PURCHASE. The Company agrees that any person who has agreed to purchase and pay for any Note pursuant to a solicitation by the Agents, shall have the right to refuse to purchase such Note if, at the Closing Date therefor, any condition set forth in Section 6(a) and (b) shall not be satisfied.

9. INDEMNIFICATION. (a) The Company will indemnify and hold harmless you and each person, if any, who controls you within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages and liabilities, joint or several (including any investigation, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided that the Company will not be liable to the extent that such loss, claim, damage or liability arises from the sale of Notes by the Company as a result of a solicitation by you and is based upon an untrue statement or omission or alleged untrue statement or omission (i) made in reliance upon and in conformity with information relating to you furnished in writing to the Company by you expressly for use in the document or (ii) in a preliminary prospectus if the Prospectus, as amended or supplemented as of the time of the confirmation of the sale to such person, corrected the untrue statement or omission or alleged untrue statement or omission which is the basis of the loss, claim, damage or liability for which indemnification is sought and a copy of the Prospectus, as so amended (but excluding any documents incorporated therein by reference), was not sent or given to such person at or before the confirmation of the sale to such person in any case where such delivery is required by the Securities Act, unless such failure to deliver the Prospectus, as so amended, was a result of noncompliance by the Company with Section 5(d). This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) Each of you, severally and not jointly, will indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, each director of the Company and each officer of the Company who signs the Registration Statement to the same extent as the foregoing indemnity from the Company to each of you, but only insofar as losses, claims,

damages or liabilities arise from the sale of Notes by the Company to any person as a result of a solicitation by each of you and are based upon any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with information relating to each of you furnished in writing to the Company by each of you expressly for use in the document. This indemnity agreement will be in addition to any liability that you might otherwise have.

(c) Any party that proposes to assert the right to be indemnified under this Section 9 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 9, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission to so notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party otherwise than under this Section 9. If any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel who shall be reasonably satisfactory to the indemnified party, and, after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees and expenses of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded that there may be legal defenses available to it or other indemnified parties which are different from or in addition to those available to the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (3) the indemnifying party has not in fact employed counsel reasonably satisfactory to such indemnified party to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees and expenses of such counsel will be at the expense of the indemnifying party or parties and all such fees and expenses will be reimbursed promptly as they are incurred. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent or, in connection with any proceeding or related proceedings in the same jurisdiction, for the fees and expenses of more than one separate counsel for all indemnified parties.

10. CONTRIBUTION. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 9 is applicable in accordance with its terms but for any reason is held by a tribunal to be unavailable from the Company or you, the Company and you will contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action or any claims asserted, but after deducting any contribution received by the Company from persons other than you, such as persons who control the Company within the meaning of the Securities Act, officers of the Company who signed the Registration Statement and directors of the Company, who may also be liable for contribution) to which the Company and you may be subject in such proportion so that you are responsible for that portion represented by the percentage that the aggregate commissions received by you pursuant to Section 1 bears to the aggregate principal amount of Notes sold by the Company and the Company is responsible for the balance; provided that (i) you will not be responsible for any amount in excess of the aggregate commissions received by you pursuant to Section 1 and (ii) no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 10, any person who controls a party to this Agreement within the meaning of the Securities Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement and each director of the Company will have the same rights to contribution as the Company, subject in each case to clauses (i) and (ii) of this Section 10. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 10, notify such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have otherwise than under this Section 10. No party will be liable for contribution with respect to any action or claim settled without its written consent.

11. TERMINATION. (a) Upon three days written notice, this Agreement may be terminated for any reason at any time by the Company as to any or all of you, or may be terminated for any reason at any time by any or all of you as to those of you giving such notice. In the event of any such termination, no party giving such notice shall have any liability to the other party or parties hereto, except as provided in Sections 1(e), 5(h), 9, 10 and 12.

(b) Each Terms Agreement shall be subject to termination in the absolute discretion of the Purchaser, by notice given to the Company prior to delivery of any payment for Notes to be purchased thereunder, if prior to such time (1) trading in any securities of the Company is suspended by the Commission, by an exchange that lists such securities of the Company, or by the National Association of Securities Dealers Automated Quotation National Market System, (2) additional

material governmental restrictions, not in force on the date of this Agreement, have been imposed upon trading in securities generally or minimum or maximum prices have been generally established on the New York Stock Exchange or on the American Stock Exchange, or trading in securities generally has been suspended on any such Exchange or a general banking moratorium has been established by Federal or New York authorities, or (3) any outbreak or material escalation of hostilities or other calamity or crisis occurs the effect of which is such as to make it impracticable to market such Notes.

12. MISCELLANEOUS. The reimbursement, indemnification and contribution agreements in Sections 1(e), 5(h), 9, 10 and 11 and the representations and agreements of the Company and you in this Agreement will remain in full force and effect until the sixth anniversary of the date of termination of this Agreement as to any party regardless of any termination of this Agreement or any investigation made by or on behalf of you, the Company or any controlling person and will survive delivery of and payment for the Notes.

This Agreement is for the benefit of you and the Company and their respective successors and, to the extent expressed in this Agreement, for the benefit of persons controlling you or the Company, and directors and officers of the Company, and their respective successors, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement.

All notices and communications under this Agreement will be in writing, effective only on receipt and mailed or delivered, by messenger, facsimile transmission or otherwise, addressed to the parties as follows: if to the Agents, to CS First Boston Corporation, Park Avenue Plaza, 55 East 52nd Street, New York, New York 10055, attention of Richard W. Kurz, Salomon Brothers Inc, Seven World Trade Center, New York, New York 10048, attention of C. Scott Baxter and the Medium-Term Note Group, and Citicorp Securities, Inc., 399 Park Avenue, New York, N.Y. 10043, attention of James S. Hart, and if to the Company, to Ashland Inc., 1000 Ashland Drive, Russell, Kentucky 41169, attention of the Treasurer, except that legal notices will be sent to the attention of the General Counsel.

This Agreement may be signed in multiple counterparts that taken as a whole constitute one agreement.

This Agreement will be governed by and construed in accordance with the laws of the State of New York.

Please confirm that the foregoing correctly sets forth the agreement between us.

Very truly yours,

ASHLAND INC.

By _____
Title:

Confirmed:

CS FIRST BOSTON CORPORATION

By _____
Title:

SALOMON BROTHERS INC

By _____
Title:

CITICORP SECURITIES, INC.

By _____
Title:

MEDIUM-TERM NOTE ADMINISTRATIVE PROCEDURES
APRIL __, 1995

The Medium-Term Notes due Nine Months or More from their issue date (the "Notes") are to be offered on a continuing basis by Ashland Inc. (the "Company"). CS First Boston Corporation, Salomon Brothers Inc and Citicorp Securities, Inc., as agents (individually, an "Agent" and collectively, the "Agents"), have each agreed to use reasonable efforts to solicit offers to purchase the Notes. None of the Agents will be obligated to purchase Notes for their own accounts. The Notes are being sold pursuant to a Distribution Agreement, dated April __, 1995 (the "Distribution Agreement"), among the Company and the Agents, and will be issued pursuant to an Indenture, dated as of August 15, 1989 as amended and restated as of August 15, 1990 (the "Indenture"), between the Company and Citibank, N.A., as trustee (the "Trustee"). The Notes will rank equally with all other unsecured and unsubordinated indebtedness of the Company and will have been registered with the Securities and Exchange Commission (the "Commission"). The Notes may be denominated in U.S. dollars, or in such foreign currencies or currency units as may be designated by the Company. The Notes are to be offered in an aggregate principal amount of up to U.S. \$200,000,000 (or the equivalent thereof if any of the Notes is denominated in foreign currency or currency units).

Administrative and record-keeping responsibilities will be handled for the Company by its Treasury and Finance Department. The Company will advise the Agents in writing of those persons handling administrative responsibilities with whom the Agents are to communicate regarding offers to purchase Notes and the details of their delivery. Administrative procedures and certain terms of the offering are explained below. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Distribution Agreement, the Prospectus or the Indenture.

CERTAIN TERMS OF THE OFFERING

Notes will be issued only in fully registered form and will be represented by either a global certificate (a "Global Certificate") delivered to Citibank, N.A. as custodian for the Depository Trust Company (the "Depository"), with ownership of beneficial interests in such Global Certificates recorded in the book-entry system maintained by the Depository (a "Book-Entry Note") or a certificate (a "Definitive Certificate") delivered to a person designated by an Agent.

Citibank, N.A., in addition to acting as Trustee, will act as Exchange Rate Agent, Paying Agent, Calculation Agent and Security Registrar for the Company, in each case, under the Indenture (in any of the foregoing capacities, as applicable, "Citibank").

Part I contains provisions common to Book-Entry and Certificated Notes. Part II contains provisions specific to Certificated Notes and Part III contains provisions specific to Book-Entry Notes. To the extent the procedures set forth below conflict with the provisions of the Notes, the Indenture or the Distribution Agreement, the terms and provisions of the Notes, the Indenture and the Distribution Agreement shall prevail. Unless otherwise defined herein, terms defined in the Indenture or the Notes shall be used herein as therein defined.

PART I: GENERAL

PRICE TO PUBLIC

Each Note will be issued at or above par.

DENOMINATIONS

The minimum denomination of the Notes will be \$1,000 and in denominations of integral multiples of \$1,000 in excess thereof.

ISSUE DATE

Each Note will be dated the date of its authentication. Each Note will also bear an original issue date (the "Issue Date") which, with respect to any Note (or portion thereof), shall mean the date of its original issuance and shall be specified therein. The Issue Date shall remain the same for all Notes subsequently issued upon transfer, exchange or substitution of a Note, regardless of their dates of authentication.

MATURITIES

Each Note will mature on a Business Day, selected by the purchaser and agreed to by the Company, which will be at least nine months after the Issue Date. Each Floating Rate Note (as defined below) will mature on an Interest Payment Date (as defined below) for such Note.

INTEREST PAYMENT

Each interest bearing Note will bear interest from and including its Issue Date, or in the case of Notes issued upon transfer or exchange, from the most recent Interest Payment Date to which interest has been paid or provided for, to but excluding the relevant Interest Payment Date or the maturity date of such Note. Interest payments, if any, will be the amount of interest accrued from and including the next preceding

Interest Payment Date in respect of which interest has been paid or duly provided for, or from and including the date of issue, if no interest has been paid with respect to such Note, to but excluding the applicable Interest Payment Date. However, in the case of Floating Rate Notes on which the interest rate is reset daily or weekly, the interest payments (other than payments on any date on which principal is payable) will include interest accrued from but excluding the second preceding Regular Record Date, or from and including the date of issue, if no interest has been paid with respect to such Note, through and including the Regular Record Date next preceding the applicable Interest Payment Date, except that interest paid at Maturity will include interest accrued to but excluding such date. Each Note will bear interest (i), in the case of Notes bearing interest at a Fixed Rate (the "Fixed Rate Notes"), at the annual rate stated on the face thereof, payable semi-annually in arrears on June 15 and December 15 unless otherwise specified in the related pricing supplement to the Prospectus Supplement (the "Pricing Supplement") (each an "Interest Payment Date" with respect to such Fixed Rate Note) and at maturity and (ii), in the case of Notes bearing interest at a rate or rates determined by reference to an interest rate formula (the "Floating Rate Notes"), at a rate determined pursuant to the formula stated on the face thereof, payable in arrears on such dates as are specified therein and in the Pricing Supplement (each such date an "Interest Payment Date" with respect to such Floating Rate Note). In addition, a Floating Rate Note may bear interest at the lowest or highest or average of two or more interest rate formulae. Interest (including payments for partial periods) will be calculated and paid (a) in the case of Fixed Rate Notes on the basis of a 360-day year of 12 30-day months, (b) in the case of Floating Rate Notes whose interest formula is based on the Treasury Rate or the Prime Rate on the basis of the actual number of days in the year divided by 365 or 366, as the case may be, and (c) in the case of Floating Rate Notes whose interest formula is based on the Commercial Paper Rate, the LIBOR Rate, the Federal Funds Rate, or on the CD Rate, on the basis of the actual number of days in the year divided by 360. Interest will be payable (a) in the case of Fixed Rate Notes, to the person in whose name the Note is registered at the close of business on the June 1 or December 1 (the Regular Record Dates with respect to Fixed Rate Notes) next preceding the Interest Payment Date, unless otherwise specified in the Pricing Supplement, and (b) in the case of Floating Rate Notes, to the person in whose name the Note is registered at the close of business on the dates established on the Issue Date and set forth in each such Note and in the applicable Pricing Supplement (the Regular Record Dates with respect to Floating Rate Notes); PROVIDED, HOWEVER, that interest payable on a maturity date will be payable to the person to whom principal shall be payable. Unless otherwise set forth in the applicable Prospectus Supplement, the first payment of interest on any Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date. With respect to Fixed Rate Notes, each payment of interest shall include interest accrued to but excluding the date of such payment. For special provisions relating to Floating Rate Notes, see the section entitled "Description of the Medium-Term Notes" in the Prospectus Supplement relating to the Notes, dated December 2, 1993, attached hereto and hereinafter referred to as the "Prospectus Supplement". Except in the case of Book-Entry Notes, all interest payments (excluding interest payments made at maturity) will be made by check mailed to the person

entitled thereto as provided above. All interest payments on any Book-Entry Note will be made to the Depository, or its nominee, as Noteholder thereof, in accordance with arrangements then in effect between the Trustee and the Depository.

TRUSTEE AND CITIBANK NOT TO RISK FUNDS

Nothing herein shall be deemed to require the Trustee or Citibank to risk or expend its own funds in connection with any payment to the Company, or the Agents, or the Depository, or any Noteholder, it being understood by all parties that payments made by the Trustee or Citibank to either the Company, or the Agents, or the Depository, or any Noteholder shall be made only to the extent that funds are provided to the Trustee for such purpose.

ADVERTISING COSTS

The Company will determine with the Agents the amount of advertising that may be appropriate in offering the Notes. Advertising expenses approved in advance by the Company will be paid by the Company.

BUSINESS DAY

"Business Day" means any day, other than a Saturday or Sunday, that meets each of the following applicable requirements: the day is (a) not a day on which banking institutions are authorized or required by law or regulation to be closed in The City of New York, (b) if the Note is denominated in a Specified Currency other than the European Currency Unit as defined and revised from time to time by the Council of the European Communities ("ECU") or United States dollars, not a day on which banking institutions are authorized or required by law or regulation to close in the financial center of the country issuing the Specified Currency, (c) if the Note is denominated in ECU, any day that is designated as an ECU settlement day by the ECU Banking Association in Paris or otherwise generally regarded in the ECU interbank market as a day on which payments in ECU are made, and (d) with respect to LIBOR Notes, a London Banking Day. "London Banking Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market.

PROCEDURES FOR ESTABLISHING THE TERMS OF THE NOTES

The Company and the Agents will discuss from time to time the Issue Date, maturity date, interest rates, and other provisions of the Notes that may be sold as a result of the solicitation of offers by the Agents. If the Company decides to post rates and a decision has been reached to change interest rates, the Company will promptly notify each Agent. Each Agent will forthwith suspend solicitation of purchases. At that time, the Agents will recommend and the Company will establish rates to be so "posted". Following establishment of posted rates and prior to the filing or mailing described in the following sentence, the Agents may only record indications of interest in purchasing Notes at the posted rates. If the Company accepts an offer at the posted rates, it will prepare a Pricing Supplement reflecting the terms of such offer and will

arrange to have such Pricing Supplement electronically filed with the Commission in accordance with the applicable paragraph of Rule 424(b) under the Act and Rule 101(a) of Regulation S-T, and will supply at least 10 copies of the Pricing Supplement to the Agent who presented such offer (the "Presenting Agent"). No settlements may occur prior to such mailing or filing and the Agents will not, prior to such mailing or filing, mail confirmations to customers who have offered to purchase Notes at the posted rates. The Company will not offer Notes denominated in a foreign currency unless it has received confirmation from the Trustee that the Trustee will be able to perform its duties in respect of such Notes, and that the Trustee has had sufficient time to make the necessary arrangements.

Outdated Pricing Supplements and copies of the Prospectus to which they are attached (other than those retained for files) will be destroyed.

SUSPENSION OF SOLICITATION; AMENDMENT OR SUPPLEMENT

As provided in the Distribution Agreement, the Company may suspend solicitation of purchases at any time and, upon receipt of at least one Business Day's prior notice from the Company, the Agents will each forthwith suspend solicitation until such time as the Company has advised them that solicitation of purchases may be resumed.

If the Agents receive the notice from the Company contemplated by Section 5(b) of the Distribution Agreement, they will promptly suspend solicitation and will only resume solicitation as provided in the Distribution Agreement. If the Company decides to amend or supplement the Registration Statement or the Prospectus relating to the Notes, it will promptly advise each Agent and will furnish each Agent with the proposed amendment or supplement in accordance with the terms of the Distribution Agreement. The Company will promptly file or mail to the Commission for filing such amendment or supplement, provide the Agents with copies of any such amendment or supplement, confirm to the Agents that such amendment or supplement has been filed with the Commission and advise the Agents that solicitation may be resumed.

Any such suspension shall not affect the Company's obligations under the Distribution Agreement; and in the event that at the time the Company suspends solicitation of purchases there shall be any offers already accepted by the Company outstanding for settlement, the Company will have the sole responsibility for fulfilling such obligations. The Company will in addition promptly advise the Agents and the Trustee if such offers are not to be settled and if copies of the Prospectus as in effect at the time of the suspension may not be delivered in connection with the settlement of such offers.

ACCEPTANCE OF OFFERS

Each Agent will promptly advise the Company, orally or in writing, of each reasonable offer to purchase Notes received by it, other than those rejected by such Agent. Each Agent may, in its discretion reasonably exercised, without notice to the

Company, reject any offer received by it, in whole or in part. The Company will have the sole right to accept offers to purchase Notes and may reject any such offer, in whole or in part. If the Company rejects an offer, the Company will promptly notify the Agent involved.

DELIVERY OF PROSPECTUS

A copy of the Prospectus as most recently amended or supplemented on the date of delivery thereof (except as provided below) must be delivered to a purchaser prior to or together with the earlier of the delivery of (i) the written confirmation provided for above, and (ii) any Note purchased by such purchaser. The Company shall ensure that the Presenting Agent receives copies of the Prospectus and each amendment or supplement thereto (including appropriate pricing supplements) in such quantities and within such time limits as will enable the Presenting Agent to deliver such confirmation or Note to a purchaser as contemplated by these procedures and in compliance with the preceding sentence. If, since the date of acceptance of a purchaser's offer, the Prospectus shall have been supplemented solely to reflect any sale of Notes on terms different from those agreed to between the Company and such purchaser or a change in posted rates not applicable to such purchaser, such purchaser shall not receive the Prospectus as supplemented by such new supplement, but shall receive the Prospectus as supplemented to reflect the terms of the Notes being purchased by such purchaser and otherwise as most recently amended or supplemented on the date of delivery of the Prospectus.

DETERMINATION OF SETTLEMENT DATE

All offers accepted by the Company will be settled no later than the fifth Business Day next succeeding the date of acceptance unless otherwise agreed by any purchaser and the Company. The settlement date shall be specified upon receipt of an offer.

PART II: CERTIFICATED NOTES

SETTLEMENT DATE

The Company will instruct, by telephone and telecopy or other acceptable means, the Trustee to authenticate and deliver the Notes no later than 2:15 P.M., New York City time, on the settlement date. Such instructions will be given by the Company no later than 3:00 P.M., New York City time, on the Business Day prior to the settlement date unless the settlement date is the date of acceptance by the Company of the offer to purchase the Notes, in which case such instructions will be given by the Company by 10:00 A.M., New York City time.

DETAILS FOR SETTLEMENT

For each offer accepted by the Company, the Presenting Agent shall communicate to the Company's Treasury and Finance Department by telephone, facsimile transmission or other acceptable means the following information (the "Purchase Information"):

1. Exact name in which the Note or Notes are to be registered ("registered owner").
2. Exact address of registered owner and, if different, the address for payment of principal and interest.
3. Taxpayer identification number of registered owner.
4. Principal amount of each Note in authorized denominations to be delivered to registered owner.
5. Currency or currency unit of such principal amount.
6. The issue price, interest rate, if fixed or, if floating, the initial interest rate, the interest rate basis, the spread or spread multiplier, the maximum or minimum interest rates, if any, the index maturity, the Interest Reset Dates and the Interest Payment Dates (as such terms are defined in the Prospectus Supplement) of Notes, and all other items necessary to complete a Note.
7. Maturity date of Notes.
8. Issue date of Notes.
9. Settlement date for Notes.
10. Presenting Agent's commission (to be paid by the Company upon settlement).
11. Terms of redemption and Redemption Date, if any.
12. Net proceeds to the Company.

The Issue Date of, and the settlement date for, Notes will be the same. Before accepting any offer to purchase Notes to be settled in less than three Business Days, the Company shall verify that the Trustee will have adequate time to prepare and authenticate the Notes.

After receiving the details for each offer from the Presenting Agent, the Company will, after recording the details and any necessary calculations, communicate the Purchase Information by telephone and facsimile transmission or other acceptable means, to the Trustee. The Company will identify in writing to the Trustee officers of the Company who are authorized to provide such details for each such offer to the Trustee.

SETTLEMENT; NOTE DELIVERIES AND CASH PAYMENT

Upon the receipt of appropriate documentation and instructions from the Company, the Trustee will cause the Notes to be prepared and authenticated.

The Trustee will deliver the Notes, in accordance with instructions from the Company, to the Presenting Agent, as the Company's agent, for the benefit of the purchaser. The Agent shall make payment in immediately available funds directly to the account of the Company in an amount equal to the face amount of the Notes.

The Presenting Agent, as the Company's agent, will deliver the Notes (with the written confirmation provided for above) to the purchaser thereof against payment by such purchaser in immediately available funds. Delivery of any confirmation or Note will be made in compliance with "Delivery of Prospectus" above.

FAILS

In the event that a purchaser shall fail to accept delivery of and make payment for a Note on the settlement date, the Presenting Agent will notify the Trustee and the Company, by telephone or other acceptable means. If the Note has been delivered to the Presenting Agent, as the Company's agent, the Presenting Agent shall return such Note to the Trustee. If funds have been advanced for the purchase of such Note, the Trustee will, immediately upon receipt of such Note, confirm receipt to the Company and the Company shall refund the payment previously made by the Presenting Agent in immediately available funds. Such payments will be made on the settlement date, if possible, and in any event not later than the Business Day following the settlement date. If such fail shall have occurred for any reason other than the failure of the Presenting Agent to provide the Purchase Information to the Company or to provide a confirmation to the purchaser, the Company will reimburse the Presenting Agent on an equitable basis for its loss of the use of funds during the period when they were credited to the account of the Company.

Immediately upon receipt of the Note in respect of which the fail occurred, the Trustee will cause the Security Registrar to make appropriate entries to reflect the fact that the Note was never issued and will destroy the Note.

PAYMENT OF INTEREST

On the fifth Business Day immediately preceding each Interest Payment Date, the Trustee will furnish the Company with the total amount of the interest payments to be paid on the Certificated Notes on such Interest Payment Date. The Trustee will provide monthly to the Company's Treasury and Finance Department a list of the principal and interest to be paid on Certificated Notes maturing in the next succeeding month, to the extent then known. The Trustee will assume responsibility for withholding taxes on interest paid as required by law.

MATURITY

Upon presentation of each Certificated Note at maturity the Trustee (or any duly appointed Paying Agent) will pay the principal amount thereof, together with accrued interest due at maturity out of immediately available funds provided by the Company. Such payment shall be made in immediately available funds to the holder of the Note, provided that the Note is presented to the Trustee (or any such Paying Agent) in time for the Trustee (or such Paying Agent) to make payments in such funds in accordance with its normal procedures. The Company will provide the Trustee (and any such Paying Agent) with funds available for immediate use for such purpose. Notes presented at maturity will be cancelled by the Trustee as provided in the Indenture.

AUTHENTICITY OF SIGNATURES

The Company will cause the Trustee to furnish the Agents from time to time with the specimen signatures of each of the Trustee's officers, employees or agents who have been authorized by the Trustee to authenticate Notes, but the Agents will have no obligation or liability to the Company or the Trustee in respect of the authenticity of the signature of any officer, employee or agent of the Company or the Trustee on any Note.

PART III: BOOK-ENTRY NOTES

An owner of a Book-Entry Note will not be entitled to receive a certificate representing such Note. In connection with the qualification of the Book-Entry Notes for eligibility in the book-entry system maintained by the Depository, Citibank will perform the custodial, document control and administrative functions described below, in accordance with its respective obligations under a Letter of Representations (the "Letter of Representations") from the Company and Citibank to the Depository and a Medium-Term Note Certificate Agreement (the "Certificate Agreement") between Citibank and the Depository, and its obligations as a participant in the Depository, including the Depository's Same-Day Funds Settlement system ("SDFS").

ISSUANCE

On any date of settlement (as defined under "settlement" below) for one or more Book-Entry Notes, the Company will issue a Global Certificate or Certificates in fully registered form without coupons representing in each case not in excess of \$150,000,000 principal amount of all of such Book-Entry Notes that have the same interest rate, Stated Maturity and terms. Each Global Certificate will be dated and issued as of the date of its authentication by Citibank as Trustee. No Global Certificate will represent any Certificated Note.

IDENTIFICATION NUMBERS

The Company will arrange, on or prior to the commencement of a program for the offering of Book-Entry Notes, with the CUSIP Service Bureau of Standard & Poor's Corporation (the "CUSIP Service Bureau") for the reservation of a series of CUSIP numbers (including tranche numbers), consisting of approximately 900 CUSIP numbers relating to Global Certificates representing the Book-Entry Notes. The Company will obtain from the CUSIP Service Bureau a written list of such series of reserved CUSIP numbers and will deliver such list to Citibank and the Depository. Citibank will assign CUSIP numbers to Global Certificates as described below under Settlement Procedure "B". The Depository will notify the CUSIP Service Bureau periodically of the CUSIP numbers that the Company has assigned to Global Certificates. Citibank will notify the Company at any time when fewer than 100 of the reserved CUSIP numbers remain unassigned to Global Certificates, and if it deems it necessary, the Company will reserve additional CUSIP numbers for assignment to Global Certificates representing Book-Entry Notes. Upon obtaining such additional CUSIP numbers, the Company shall deliver a list thereof to Citibank and the Depository.

REGISTRATION

Each Global Certificate will be registered in the name of Cede & Co., as nominee for the Depository, on the Securities Register maintained under the Indenture governing such Global Certificate. The beneficial owner of a Book-Entry Note (or one or more indirect participants in the Depository designated by such owner) will designate one or more participants in the Depository (with respect to such Note, the "Participants") to act as agent or agents for such owner in connection with the book-entry system maintained by the Depository, and the Depository will record in book-entry form, in accordance with instructions provided by such Participants, a credit balance with respect to such Note in the account of such Participants. The ownership interest of such beneficial owner in such Note will be recorded through the records of such Participants or through the separate records of such Participants and one or more indirect participants in the Depository. So long as Cede & Co. is the registered owner of a Global Certificate, the Depository will be considered the sole owner and holder of the Book-Entry Notes represented by such Global Certificate for all purposes under the Indenture.

TRANSFERS

Transfers of a Book-Entry Note will be accomplished by book entries made by the Depository and, in turn, by Participants (and in certain cases, one or more indirect participants in the Depository) acting on behalf of beneficial transferors and transferees of such Note.

CONSOLIDATION AND EXCHANGE

Citibank may deliver to the Depository and the CUSIP Service Bureau at any time a written notice of consolidation specifying (i) the CUSIP numbers of two or more Outstanding Global Certificates that represent Book-Entry Notes having the same interest rate, Stated Maturity and tenor and for which interest has been paid to the same date, (ii) a date, occurring at least thirty days after such written notice is delivered and at least thirty days before the next Interest Payment Date for such Book-Entry Notes, on which such Global Certificates shall be exchanged for a single replacement Global Certificate and (iii) a new CUSIP number, obtained from the Company, to be assigned to such replacement Global Certificate. Upon receipt of such a notice, the Depository will send to its participants (including Citibank) a written reorganization notice to the effect that such exchange will occur on such date. Prior to the specified exchange date, Citibank will deliver to the CUSIP Service Bureau a written notice setting forth such exchange date and the new CUSIP number and stating that, as of such exchange date, the CUSIP numbers of the Global Certificates to be exchanged will no longer be valid. On the specified exchange date, Citibank will exchange such Global Certificates for a single Global Certificate bearing the new CUSIP number and new Issue Date, which shall be the most recent Interest Payment Date to which interest has been paid or duly provided for on the predecessor Global Certificates, and the CUSIP numbers of the exchanged Global Certificates will, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned. Notwithstanding the foregoing, if the Global Certificates to be exchanged exceed \$150,000,000 in aggregate principal amount, one Global Certificate will be authenticated and issued to represent each \$150,000,000 of principal amount of the exchanged Global Certificates and an additional Global Certificate will be authenticated and issued to represent any remaining principal amount of such Global Certificates (see "Denominations" below).

DENOMINATIONS

Book-Entry Notes will be issued in principal amounts of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000. Global Certificates will be denominated in principal amounts not in excess of \$150,000,000. If one or more Book-Entry Notes having an aggregate principal amount in excess of \$150,000,000 would, but for the preceding sentence, be represented by a single Global Certificate, then one Global Certificate will be issued to represent \$150,000,000 principal amount of such Book-Entry Note or Notes and an additional Global Certificate will be issued to represent any remaining principal amount of such Book-Entry Note or Notes. In such a case, each of the Global Certificates representing such Book-Entry Note or Notes shall be assigned the same CUSIP number.

INTEREST

Standard & Poor's Corporation will use the information received in the pending deposit message described under Settlement Procedure "C" below in order to include the amount of any interest payable and certain other information regarding the related Global Security in the appropriate weekly bond report published by Standard & Poor's Corporation.

PAYMENTS OF PRINCIPAL AND INTEREST

PAYMENTS OF INTEREST ONLY. Promptly after each Regular Record Date, Citibank will deliver to the Company and the Depositary a written notice specifying by CUSIP number the amount of interest to be paid on each Global Certificate on the following Interest Payment Date (other than an Interest Payment Date coinciding with Maturity) and the total of such amounts. The Depositary will confirm the amount payable on each Global Certificate on such Interest Payment Date by reference to the daily bond reports published by Standard & Poor's Corporation. The Company will pay to Citibank, as Paying Agent, the total amount of interest due on such Interest Payment Date (other than at Maturity), and Citibank will pay such amount to the Depositary at the times and in the manner set forth below under "Manner of Payment".

PAYMENTS AT MATURITY. On or about the first Business Day of each month, Citibank will deliver to the Company, the Depositary and the Trustee a written list of principal and interest to be paid on each Global Certificate maturing in the following month. The Company, Citibank and the Depositary will confirm the amounts of such principal and interest payments with respect to each such Global Certificate on or about the fifth Business Day preceding the Maturity of such Global Certificate. The Company will pay to Citibank as the Paying Agent, the principal amount of such Global Certificate, together with interest due at such Maturity and Citibank will pay such amount to the Depositary at the times and in the manner set forth below under "Manner of Payment".

Promptly after payment to the Depositary of the principal and interest due at the Maturity of such Global Certificate, Citibank will cancel such Global Certificate and deliver it to the Company. Citibank will from time to time, on request by the Trustee, deliver to the Trustee a written statement indicating the total principal amount of outstanding Global Certificates for which it serves as Trustee as of the immediately preceding Business Day.

MANNER OF PAYMENT. The total amount of any principal and/or interest due on Global Certificates on any Interest Payment Date or at Maturity shall be paid by the Company to Citibank in funds available for use by Citibank as of 9:30 A.M. (New York City time) on such date. The Company will make such payment on such Global Certificates by instructing Citibank to withdraw funds from an account maintained by the Company at Citibank, N.A. The Company will confirm such instruction in writing to Citibank. Citibank will forward to the Company an appropriate debit advice. Prior to

10:00 A.M. (New York City time) on such date or as soon as possible thereafter, Citibank will make such payments to the Depositary in same day funds in accordance with the payment provisions contained in the Letter of Representations. The Depositary will allocate such payments to its Participants in accordance with its existing operating procedures. NONE OF THE COMPANY, THE TRUSTEE NOR CITIBANK SHALL HAVE ANY RESPONSIBILITY OR LIABILITY FOR THE PAYMENT BY THE DEPOSITARY TO SUCH PARTICIPANTS OF THE PRINCIPAL OF AND INTEREST ON THE BOOK-ENTRY NOTES.

WITHHOLDING TAXES. The amount of any taxes required under applicable law to be withheld from any interest payment on a Book-Entry Note will be determined and withheld by the Participant, indirect participant in the Depositary or other Person responsible for forwarding payments and materials directly to the beneficial owner of such Note.

SETTLEMENT

The receipt by the Company of immediately available funds in payment for a Book-Entry Note and the authentication and issuance of the Global Certificate representing such Note shall constitute "settlement" with respect to such Book-Entry Note. All orders accepted by the Company will be settled on the next Business Day pursuant to the timetable for settlement set forth below unless the Company and the purchaser agree to settlement on a later date.

SETTLEMENT PROCEDURES

Settlement Procedures with regard to each Global Certificate sold by the Company through an Agent, as agent, shall be as follows:

A. Such Agent will advise the Company by telephone of the Purchase Information with respect to each Book-Entry Note which will be represented by the Global Certificate which is to be issued.

B. The Company will advise Citibank by telephone (confirmed in writing at any time on the same date) or electronic transmission of the information set forth in Settlement Procedure "A" above and the name of such Agent. Each such communication by the Company shall constitute a representation and warranty by the Company to Citibank, the Trustee and each Agent that (i) such Global Certificate is then, and at the time of issuance and sale thereof will be, duly authorized for issuance and sale by the Company, (ii) such Global Certificate will conform with the terms of the Indenture pursuant to which such Global Certificate is issued and (iii) upon authentication and delivery of such Global Certificate, the aggregate initial offering price of all Notes issued under the Indenture will not exceed \$301,627,000 (except for Book-Entry Notes represented by Global Certificates authenticated and delivered in exchange for or in lieu of Global Certificates pursuant to Section 304, 305, 306 or 906 of the Indenture and except for Certificated Notes authenticated and delivered upon registration of, transfer of, in exchange for, or in lieu of Certificated Notes pursuant to any such Section).

C. Citibank will assign a CUSIP number to such Global Certificate and advise the Company by telephone of such CUSIP number. Citibank will enter a pending deposit message through the Depository's Participant Terminal System, providing the following settlement information to the Depository (which will provide such information to Standard & Poor's Corporation), such Agent, and, upon request, the Trustee under the Indenture pursuant to which each Book-Entry Note which is represented by the Global Certificate which is to be issued:

1. The information set forth in Settlement Procedure "A".
2. Initial Interest Payment Date for such Book-Entry Note, number of days by which such date succeeds the related Regular Record Date (which, in the case of Floating Rate Notes which reset daily or weekly, shall be the date 5 calendar days immediately preceding the applicable Interest Payment Date, and in the case of all other Notes shall be the Regular Record Date as defined in the Note) and amount of interest payable on such Interest Payment Date.
3. CUSIP number of the Global Certificate representing such Book-Entry Note.
4. Whether such Global Certificate will represent any other Book-Entry Note (to the extent known at such time).

D. The Trustee will complete the first page of the preprinted 4-ply note packet, the form of which was previously approved by the Company, the Agents and the Trustee.

E. The Trustee, as Trustee, will authenticate the Global Certificate.

F. The Depository will credit each Book-Entry Note represented by the Global Certificate to be issued to Citibank's participant account at the Depository.

G. Citibank will enter an SDFS deliver order through the Depository's Participant Terminal System, with respect to each Book-Entry Note represented by the Global Certificate to be issued, instructing the Depository to (i) debit such Book-Entry Note to Citibank's participant account and credit such Book-Entry Note to such Agent's participant account and (ii) debit such Agent's settlement account and credit Citibank's settlement account for an amount equal to the price of such Book-Entry Note less such Agent's commission. The entry of such a deliver order shall constitute a representation and warranty by Citibank to the Depository that (i) the Global Certificate representing such Book-Entry Note has been issued and authenticated and (ii) Citibank is holding such Global Certificate pursuant to the Certificate Agreement.

H. The Agent will enter an SDFS deliver order through the Depository's Participant Terminal System, with respect to each Book-Entry Note represented by the Global Certificate to be issued, instructing the Depository (i) to debit such Book-Entry Note to such Agent's participant account and credit such Book-Entry Note to the participant account of the Participant with respect to such Book-Entry Note and (ii) to debit the settlement account of such Participant and credit the settlement account of such Agent for an amount equal to the price of such Book-Entry Note.

I. Transfers of funds in accordance with SDFS deliver orders described in Settlement Procedures "G" and "H" will be settled in accordance with SDFS Paying Agent Operating Procedures (as defined in the Letter of Representations) in effect on the settlement date.

J. Citibank will credit to an account of the Company maintained at Citibank, N.A. funds available for immediate use in the amount transferred to Citibank in accordance with Settlement Procedure "G".

K. Citibank, N.A., as custodian for the Depository, will hold the Global Certificate pursuant to the Certificate Agreement. Citibank will deliver the yellow stub of the packet for the Global Certificate to the Trustee and will send the pink stub to the Company by first-class mail. Upon written request, Citibank will deliver the blue stub to such Agent. Periodically, Citibank will send to the Company a statement setting forth the principal amount of Book-Entry Notes and Global Certificates outstanding as of that date under the Indenture and setting forth a brief description of any sales of which the Company has advised Citibank but which have not yet been settled.

L. Such Agent will deliver to the purchaser a copy of the most recent Prospectus applicable to the Notes with or prior to any written offer of Notes and the confirmation and payment by the purchaser of the Note.

Such Agent will confirm the purchase of each BookEntry Note to the purchaser either by transmitting to the Participant with respect to such Book-Entry Note a confirmation order or orders through the Depository's institutional delivery system or by mailing a written confirmation to such purchaser.

SETTLEMENT PROCEDURES TIMETABLE

For orders of Book-Entry Notes solicited by an Agent, as agent, and accepted by the Company for settlement on the first Business Day after the sale date, Settlement Procedures "A" through "L" set forth above shall be completed as soon as possible but not later than the respective times (New York City time) set forth below:

SETTLEMENT

PROCEDURE TIME

A-B	11:00 A.M. on the sale date
C	2:00 P.M. on the sale date
D	3:00 P.M. on day before settlement date
E	9:00 A.M. on settlement date
F	10:00 A.M. on settlement date
G-H	2:00 P.M. on settlement date
I	4:45 P.M. on settlement date
J-L	5:00 P.M. on settlement date

If a sale is to be settled more than one Business Day after the sale date, Settlement Procedures "A", "B" and "C" shall be completed as soon as practicable but no later than 11:00 A.M. and 2:00 P.M., as the case may be, on the first Business Day after the sale date. In connection with a sale which is to be settled more than one Business Day after the sale date, if the initial interest rate for a Floating Rate Note is not known at the time that Settlement Procedure "A" is completed, Settlement Procedures "B" and "C" shall be completed as soon as such rates have been determined, but no later than 11:00 a.m. and 2:00 p.m., respectively, on the second Business Day before the Settlement Date. Settlement Procedure "I" is subject to extension in accordance with any extension of Fedwire closing deadlines and in the other events specified in the SDFS operating procedures in effect on the settlement date.

If settlement of a Note is rescheduled or cancelled, Citibank will deliver to the Depository, through the Depository's Participant Terminal System, a cancellation message to such effect by no later than 2:00 p.m. on the Business Day immediately preceding the scheduled settlement date.

FAILURE TO SETTLE

Prior to Citibank's entry of an SDFS deliver order with respect to a Book-Entry Note pursuant to Settlement Procedure "G", Citibank, upon written request of the Company, shall deliver through the Depository's Participant Terminal System, as soon as practicable, but not later than 2:00 p.m. on any Business Day, a withdrawal message instructing the Depository to debit such Book-Entry Note to Citibank's participant account. The Depository will process the withdrawal message, provided that Citibank's participant account contains a principal amount of the Global Certificate representing such Book-Entry Note that is at least equal to the principal amount to be debited. If a withdrawal message is processed with respect to all the Book-Entry Notes represented by a Global Certificate, Citibank will mark such Global Certificate "Cancelled", make appropriate entries in Citibank's records and send such cancelled Global Certificate to the Company. The CUSIP number assigned to such Global Certificate shall, in accordance with CUSIP Service Bureau procedures, be cancelled and not immediately reassigned. If a withdrawal message is processed with respect to one or more, but not all, of the Book-Entry Notes represented by a Global Certificate,

Citibank will exchange such Global Certificate for two Global Certificates, one of which shall represent such Book-Entry Note or Notes and shall be cancelled immediately after issuance and the other of which shall represent the other Book-Entry Notes previously represented by the surrendered Global Certificate and shall bear the CUSIP number of the surrendered Global Certificate.

If the purchase price for any Book-Entry Note is not timely paid to the Participant with respect to such Note by the beneficial purchaser thereof (or a Person, including an indirect participant in the Depositary, acting on behalf of such purchaser), such Participant and, in turn, the Agent for such Note may enter a deliver order through the Depositary's Participant Terminal System debiting such Note to such Agent's participant account and crediting such Note free to the participant account of Citibank and shall notify Citibank and the Company thereof. Thereafter, Citibank (i) will immediately notify the Company thereof, once Citibank has confirmed that such Note has been credited to its participant account, and the Company shall immediately transfer by Fedwire (in immediately available funds) to such Agent an amount equal to the price of such Note which was previously transferred to the account of the Company maintained at Citibank, N.A. in accordance with Settlement Procedure and (ii) Citibank will deliver the withdrawal message and take the related actions described in the preceding paragraph. The Agent will not be entitled to any commission with respect to any Note which the purchaser does not accept and make payment for. Such debits and credits will be made on the Settlement Date, if possible, and in any event not later than 5:00 p.m. on the following Business Day. If such failure shall have occurred for any reason other than failure by the applicable Agent to perform its obligations hereunder or under the Distribution Agreement, the Company will reimburse such Agent on an equitable basis for its loss of the use of funds during the period when the funds were credited to the account of the Company.

Notwithstanding the foregoing, upon any failure to settle with respect to a Book-Entry Note, the Depositary may take any actions in accordance with its SDFS operating procedures then in effect. In the event of a failure to settle with respect to one or more, but not all, of the Book-Entry Notes to have been represented by a Global Certificate, Citibank will provide, in accordance with Settlement Procedures "D" and "E", for the authentication and issuance of a Global Certificate representing the other Book-Entry Notes to have been represented by such Global Certificate and will make appropriate entries in its records.

Ashland Inc.

TERMS AGREEMENT

April __, 1995

CS First Boston Corporation
Park Avenue Plaza
55 East 52nd Street
New York, N.Y. 10055

Salomon Brothers Inc
Seven World Trade Center
New York, N.Y. 10048

Citicorp Securities, Inc.
399 Park Avenue
New York, N.Y. 10043

Ladies and Gentlemen:

Ashland Inc. (the "Company") proposes, subject to the terms and conditions stated herein and in the Distribution Agreement, dated April __, 1995 (the "Distribution Agreement"), between the Company on the one hand and CS First Boston Corporation, Salomon Brothers Inc and Citicorp Securities, Inc. (the "Purchasers") on the other, to issue and sell to CS First Boston Corporation, Salomon Brothers Inc and Citicorp Securities, Inc. the securities specified in the Schedule hereto (the "Purchased Securities"). Each of the provisions of the Distribution Agreement not specifically related to the solicitation by the Agents, as the agents of the Company, of offers to purchase Securities is incorporated herein by reference in its entirety, and shall be deemed to be part of this Terms Agreement to the same extent as if such provisions had been set forth in full herein. Nothing contained herein or in the Distribution Agreement shall make any party hereto an agent of the Company or make such party subject to the provisions therein relating to the solicitation of offers to purchase securities from the Company, solely by virtue of its execution of this Terms Agreement. Each of the representations and warranties set forth therein shall be deemed to have been made at and as of the date of this Terms Agreement, except that each representation and warranty in Section 4 of the Distribution Agreement which makes reference to the Prospectus shall be deemed to be a representation and

warranty as of the date of this Terms Agreement in relation to the Prospectus as amended and supplemented to relate to the Purchased Securities.

An amendment to the Registration Statement, or a supplement to the Prospectus, as the case may be, relating to the Purchased Securities, in the form heretofore delivered to you is now proposed to be filed with the Commission.

Subject to the terms and conditions set forth herein and in the Distribution Agreement incorporated herein by reference, the Company agrees to issue and sell to the Purchasers and the Purchasers agree to purchase from the Company the Purchased Securities, at the time and place, in the principal amount and at the purchase price set forth in the Schedule hereto.

If the foregoing is in accordance with your understanding, please sign and return to us the counterparts hereof, and upon acceptance hereof by you this letter and such acceptance hereof, including those provisions of the Distribution Agreement incorporated herein by reference, shall constitute a binding agreement between you and the Company.

ASHLAND INC.

By _____
Title:

Accepted:

CS FIRST BOSTON CORPORATION

By _____
Title:

SALOMON BROTHERS INC

By _____
Title:

CITICORP SECURITIES, INC.

By _____
Title:

SCHEDULE TO ANNEX B

Title of Purchased Securities:

[%] Medium-Term Notes

Aggregate Principal Amount:

\$

[Price to Public:]

Purchase Price by [Name of Purchaser]:

% of the principal amount of the Purchased Securities, plus accrued
interest from to

Method of and Specified Funds for Payment of Purchase Price:

[By certified or official bank check or checks, payable to the order of the
Company, in [[New York] Clearing House] [immediately available] funds]

[By wire transfer to a bank account specified by the Company in [next day]
[immediately available] funds]]

Time of Delivery:

Closing Location:

Maturity:

Interest Rate:

[%]

Interest Payment Dates:

[months and dates]

Documents to be Delivered:

The following documents referred to in the Distribution Agreement shall be delivered as a condition to the Closing:

[(1) The officers' certificate referred to in Section 6(c).]

[(2) The opinions referred to in Section 6(d).]

[(3) The opinion referred to in Section 6(e).]

[(4) The accountants' letter referred to in Section 6(f).]

Other Provisions (including Syndicate Provisions, if applicable):

FORM OF OPINION OF THOMAS L. FEAZELL, ESQ.

April ____, 1995

CS First Boston Corporation
Park Avenue Plaza
55 East 52nd Street
New York, New York 10055

Salomon Brothers Inc
Seven World Trade Center
New York, New York 10048

Citicorp Securities, Inc.
399 Park Avenue
New York, N.Y. 10043

Ladies and Gentlemen:

Re: Distribution Agreement by and between
CS First Boston Corporation, Salomon
Brothers Inc, Citicorp Securities, Inc. and Ashland Inc.

I am Senior Vice President, General Counsel and Secretary of Ashland Inc., a Kentucky corporation ("Ashland"), and as such I have acted as counsel for Ashland in connection with the execution and delivery of a Distribution Agreement dated April ____, 1995 (the "Distribution Agreement") between you and Ashland, providing for the issue and sale by Ashland of up to \$200,000,000 aggregate principal amount of its Medium-Term Notes, Series G, Due Nine Months or More from Date of Issue (the "Notes"), to be issued pursuant to the Indenture dated as of August 15, 1989, as amended and restated as of August 15, 1990, (the "Indenture"), between Ashland and Citibank, N.A., as Trustee.

In that connection, I have examined originals, or copies certified or otherwise identified to my satisfaction, of such documents, corporate records and other instruments as I have deemed necessary or appropriate for the purpose of this opinion, including (a) the Second Restated Articles of Incorporation of Ashland, as amended; (b) the By-laws of Ashland, as amended; (c) the Registration Statement on Form S-3 (File No. 33-57011), as amended by Amendment No. 1 and Post-Effective

Amendment No. 1 thereto (the "Registration Statement"), relating to \$600,000,000 aggregate principal amount of securities of Ashland registered under the Securities Act of 1933, as amended (the "Act"); (d) the prospectus dated April ____, 1995 and the prospectus supplement dated April ____, 1995 included in the Registration Statement (such prospectus together with such prospectus supplement (including all material incorporated by reference therein) as supplemented or amended to the date hereof being hereinafter collectively called the "Final Prospectus"); (e) the Distribution Agreement; (f) the Indenture; (g) the form of the Notes; and (h) resolutions adopted by the Board of Directors of the Company on November 3, 1994.

Based upon the foregoing, I am of the opinion that:

(a) Ashland has been duly incorporated and is validly existing as a corporation in good standing under the laws of the Commonwealth of Kentucky with full corporate power and authority to own its properties and conduct its business as described in the Final Prospectus[, and is duly qualified to do business as a foreign corporation under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business except for any jurisdiction wherein failure to be so qualified would not have a material adverse effect on the business, financial condition or results of operations of Ashland and its subsidiaries, taken as a whole.](1)

(b) Ashland's authorized equity capitalization is as set forth or incorporated by reference in the Final Prospectus.

(c) The Indenture has been duly authorized, executed and delivered by Ashland, and constitutes a legal, valid and binding instrument enforceable against Ashland in accordance with its terms (subject to applicable bankruptcy, reorganization, fraudulent transfers, insolvency, moratorium or other laws relating to and affecting creditors' rights generally from time to time in effect). The enforceability of Ashland's obligations is also subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) The Notes have been duly authorized and, when the terms of any Notes have been established in accordance with the Indenture and have been executed, authenticated, issued and delivered against payment therefor in accordance with the provisions of the Indenture, will constitute legal, valid and binding obligations of Ashland enforceable against Ashland in accordance with their terms (subject to applicable bankruptcy, reorganization, fraudulent transfer, insolvency, moratorium or

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(1) Language in brackets to be included only in opinion dated the date of the Distribution Agreement.

other laws relating to and affecting creditors' rights generally from time to time in effect) and will be entitled to the benefits of the Indenture. The enforceability of Ashland's obligations is also subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(e) To the best knowledge of the undersigned (i) there is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving Ashland or any of its subsidiaries, the probable outcome of which would have a material adverse effect on the financial condition of Ashland and its subsidiaries taken as a whole and which is not adequately disclosed in the Final Prospectus; (ii) there is no franchise, contract or other document of a character required to be described in the Registration Statements, as amended, or the Final Prospectus or to be filed as an exhibit to the Registration Statements, as amended, which is not described or filed as required; and (iii) the statements included or incorporated in the Registration Statement, as amended, and the Final Prospectus describing any legal proceedings or contracts or agreements relating to Ashland fairly summarize such matters in accordance with the rules under the Act.

(f) The Registration Statement, as amended, has become effective under the Act; to the best knowledge of the undersigned, no stop order suspending the effectiveness of the Registration Statement, as amended, has been issued, no proceedings for that purpose have been instituted or threatened, and the undersigned has no reason to believe that any part of the Registration Statement, as amended, (other than the Form T-1 and the financial statements including the notes thereto and related schedules and other financial and statistical data included therein or incorporated therein by reference, as to which the undersigned expresses no opinion), when such part became effective or was incorporated by reference into such Registration Statement, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or that the Final Prospectus (other than the financial statements, including the notes thereto and related schedules and other financial and statistical data included therein or incorporated therein by reference, as to which the undersigned expresses no belief), includes any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) The Distribution Agreement has been duly authorized, executed and delivered by Ashland.

(h) To the best knowledge of the undersigned, no consent, approval, authorization or order of any court or governmental agency or body is required, insofar

as the same may be applicable to Ashland, for the consummation of the transactions contemplated in the Distribution Agreement, except such as have been obtained under the Act and the Trust Indenture Act and such as may be required under the blue sky laws of any jurisdiction in connection with the sale of the Notes.

(i) Neither the issue and sale of the Notes, nor the consummation of any other of the transactions contemplated in the Distribution Agreement nor the fulfillment of the terms thereof will conflict with, result in a material breach of, or constitute a material default under the Second Restated Articles of Incorporation or By-laws of Ashland, both as amended, or the terms of any indenture or other agreement or instrument known to the undersigned and to which Ashland or any of its subsidiaries is a party or bound, or any order or regulation known to the undersigned to be applicable to Ashland or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over Ashland or any of its subsidiaries.

(j) No holders of securities of Ashland have rights to the registration of such securities under the Registration Statement.

As to certain of the matters referred to in Paragraph (c), Paragraph (d), Paragraph (e), Paragraph (f) and Paragraph (h) in the foregoing opinion, I have relied upon the opinion or letter of Cravath, Swaine & Moore dated the date hereof, a copy of which opinion or letter is attached hereto and the undersigned believes that you and the undersigned are justified in relying on such opinion or letter.

I am not a member of the bar of any states other than the Commonwealth of Kentucky and the State of West Virginia and, accordingly, do not purport to be an expert on matters of law outside of such jurisdictions. I have, however, reviewed such of the laws of other jurisdictions as I have deemed necessary and relevant regarding the matters referred to above which are governed by such law and have no reason to believe that the opinions stated herein are not correct.

Very truly yours,

Thomas L. Feazell

Attachment

[date]

ASHLAND INC.
MEDIUM-TERM NOTES

Ladies and Gentlemen:

We have acted as counsel for Ashland Inc., a Kentucky corporation (the "Company"), in connection with the execution and delivery of a Distribution Agreement dated _____, 1995 (the "Distribution Agreement"), between you and the Company, providing for the issue and sale by the Company of up to \$200,000,000 aggregate principal amount of its Medium-Term Notes, Series G, Due Nine Months or More from Date of Issue (the "Notes"), to be issued pursuant to the Indenture dated as of August 15, 1989, as amended and restated as of August 15, 1990 (the "Indenture"), between the Company and Citibank, N.A., as Trustee.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including (a) the Second Restated Articles of Incorporation of the Company, as amended; (b) the By-laws of the Company, as amended; (c) the Registration Statement on Form S-3 (No. 33-57011) filed with the Securities and Exchange Commission (the "Commission"), as amended by Amendment No. 1 and Post-Effective Amendment No. 1 thereto (the "Registration Statement"), relating to \$600,000,000 aggregate principal amount of securities of the Company registered under the Securities Act of 1933, as amended (the "Act"); (d) the Prospectus dated _____, as supplemented by the Prospectus Supplement dated _____ (such Prospectus, including all material incorporated by reference therein, and Prospectus Supplement being hereinafter collectively called the "Final Prospectus"); (e) the Distribution Agreement; (f) the Indenture; (g) the form of the Notes; and (h) certain resolutions adopted by the Board of Directors of the Company on November 3, 1994.

Based on the foregoing, we are of opinion as follows:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the Commonwealth of Kentucky, with full corporate power and authority to own its properties and conduct its business as described in the Final Prospectus.

(b) The Company's authorized equity capitalization is as set forth or incorporated by reference in the Final Prospectus and the Notes conform to the description thereof contained in the Final Prospectus.

(c) The Indenture has been duly authorized, executed and delivered by the Company, has been duly qualified under the Trust Indenture Act of 1939, as amended, and constitutes a legal, valid and binding instrument enforceable against the Company in accordance with its terms (subject to applicable bankruptcy, reorganization, fraudulent transfer, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect). The enforceability of the Company's obligations is also subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) The Notes have been duly authorized and, when the terms of any Notes have been established in accordance with the Indenture and when such Notes have been executed, authenticated, issued and delivered against payment therefor in accordance with the provisions of the Indenture, will constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms (subject to applicable bankruptcy, reorganization, fraudulent transfer, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect) and will be entitled to the benefits of the Indenture. The enforceability of the Company's obligations is also subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(e) The Distribution Agreement has been duly authorized, executed and delivered by the Company.

(f) Neither the issue and sale of the Notes nor the consummation of any other of the transactions contemplated in the Distribution Agreement nor the fulfillment of the terms thereof will conflict with, result in a material breach of, or constitute a material default under, the Second Restated Articles of Incorporation or By-laws of the Company.

(g) To the best of our knowledge, no consent, approval, authorization or order of any court or governmental agency or body is required, insofar as the same may be applicable to the Company, for the consummation of the transactions contemplated in the Distribution Agreement except such as have been obtained under the Act and the Trust Indenture Act and such as may be required under the blue sky laws of any jurisdiction in connection with the sale of the Notes.

In rendering this opinion, we have relied, with your approval, as to matters governed by the law of the Commonwealth of Kentucky on the opinion dated today of Thomas L. Feazell, Esq., Senior Vice President, General Counsel and Secretary of the Company.

Thomas L. Feazell, Esq. and Citibank, N.A., as Trustee, are each entitled to rely on this letter as fully as if this letter had been addressed to them directly.

Very truly yours,

CS First Boston Corporation
Park Avenue Plaza
55 East 52nd Street
New York, NY 10055

Salomon Brothers Inc
Seven World Trade Center
New York, NY 10048

Citicorp Securities, Inc.
399 Park Avenue
7th Floor
New York, NY 10043

ASHLAND INC.
MEDIUM-TERM NOTES

Ladies and Gentlemen:

We have acted as counsel for Ashland Inc., a Kentucky corporation (the "Company"), in connection with the execution and delivery of a Distribution Agreement dated _____, 1995, between you and the Company, providing for the issue and sale by the Company of up to \$200,000,000 aggregate principal amount of its Medium-Term Notes, Series G, Due Nine Months or More from Date of Issue, to be issued pursuant to the Indenture dated as of August 15, 1989, as amended and restated as of August 15, 1990, between the Company and Citibank, N.A, as Trustee.

In that capacity, we participated in conferences with certain officers of, and with the accountants for, the Company concerning the preparation of (a) the Registration Statement on Form S-3 (Registration No. 33-57011) filed with the Securities and Exchange Commission (the "Commission"), as amended by Amendment No. 1 and Post-Effective Amendment No. 1 thereto (such Registration Statement, as amended, being hereinafter called the "Registration Statement"), for registration of \$600,000,000 aggregate principal amount of securities of the Company under the Securities Act of 1933 (the "Securities Act"); and (b) the Prospectus dated _____, as supplemented by the Prospectus Supplement dated _____ (such Prospectus, including all material incorporated by reference therein, and Prospectus Supplement being hereinafter collectively called the "Final Prospectus"). Certain of the documents incorporated by reference in the Registration Statement and Final Prospectus were prepared and filed by the Company without our participation.

Although we have made certain inquiries and investigations in connection with the preparation of the Registration Statement and the Final Prospectus, the limitations inherent in the role of outside counsel are such that we cannot and do not assume responsibility for the accuracy or completeness of the statements made in the Registration Statement and Final Prospectus, except insofar as such statements relate to us. Subject to the foregoing, we hereby advise you that our work in connection with this matter did not disclose any information that gave us reason to believe that: (i) the Registration Statement, the Final Prospectus and each amendment or supplement thereto (except the financial statements and other accounting or financial data included therein, as to which we do not express any view) were not, as of their respective effective or issue dates, appropriately responsive in all material respects to the requirements of the Securities Act and the applicable rules and regulations of the

Commission thereunder, or (ii) the Registration Statement, at the time the Registration Statement became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Final Prospectus or any amendment or supplement thereto, at the date hereof, include or included an untrue statement of a material fact or omit or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstance under which they were made, not misleading (in each case except for the financial statements and other accounting or financial data included therein, as to which we do not express any view).

We are furnishing this letter to you, as Agents, solely for your benefit. This letter is not to be used, circulated, quoted or otherwise referred to for any other purposes.

Thomas L. Feazell, Esq. and Citibank, N.A., as Trustee, are each entitled to rely on this letter as fully as if this letter had been addressed to them directly.

Very truly yours,

CS First Boston Corporation
Park Avenue Plaza
55 East 52nd Street
New York, NY 10055

Salomon Brothers Inc
Seven World Trade Center
New York, NY 10048

Citicorp Securities, Inc.
399 Park Avenue
7th Floor
New York, NY 10043

ACCOUNTANTS' COMFORT LETTER

Upon execution of the Distribution Agreement and, to the extent provided in Section 7 of the Distribution Agreement, at each Closing Date, (1) Ernst & Young LLP shall furnish to the Agents or Purchaser, as the case may be, a letter or letters (which may refer to letters previously delivered to the Agents or Purchaser, as the case may be), dated as of the date of the Distribution Agreement or such Closing Date, as the case may be, in form and substance satisfactory to the Agents or the Purchaser, as the case may be, confirming that they are independent accountants within the meaning of the Securities Act and the applicable published rules and regulations thereunder and stating in effect that:

(i) in their opinion the consolidated financial statements audited by them and incorporated by reference in the Registration Statements and the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the related published rules and regulations;

(ii) on the basis of a reading of the latest available interim consolidated financial statements of the Company, carrying out certain specified procedures (but not an audit in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter, inquiries of officials of the Company responsible for financial and accounting matters and other specified procedures, nothing came to their attention that caused them to believe that:

(A) the unaudited consolidated financial statements, if any, included or incorporated in the Registration Statements and the Prospectus do not comply as to form in all material respects with the applicable accounting requirements and with the published rules and regulations of the Commission with respect to financial statements included or incorporated in quarterly reports on Form 10-Q under the Exchange Act, or are not in conformity with generally accepted accounting principles applied on a basis consistent with that of the audited financial statements included or incorporated in the Registration Statement and the Prospectus, except for the accounting changes discussed in the notes thereto;

(B) with respect to the period subsequent to the date of the most recent financial statements included or incorporated in the Registration Statements or Prospectus, (i) at the date of the latest available consolidated balance sheet read by such

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(1) All capitalized terms used herein shall have the meanings ascribed to them in the Distribution Agreement of which this Annex D is part.

accountants or (ii) at a subsequent specified date not more than five days prior to the date of the letter, there was any decrease in the working capital (but only with respect to the date referred to in the foregoing clause (i)), any change in capital stock of the Company (except pursuant to existing stock option, bonus or other similar plans or conversion of debentures or preferred stock) or increase in long-term debt and debt due within one year, or decrease in the common stockholders' equity of the Company and its consolidated subsidiaries (except such changes, increases or decreases which the Prospectus (directly or by incorporation) discloses have occurred or may occur) as compared with the amounts shown on the most recent consolidated balance sheet included or incorporated in the Registration Statements and the Prospectus;

(C) for the period from the closing date of the most recent consolidated balance sheet included or incorporated in the Registration Statements and the Prospectus to the closing date of the latest available consolidated income statement read by such accountants there were any decreases, as compared with the corresponding period in the previous year, in consolidated sales and operating revenues or consolidated net income except for changes or decreases which the Prospectus (directly or by incorporation) discloses have occurred or may occur, or which are described in such letter; or

(D) unaudited pro forma consolidated condensed financial statements, if any, included or incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of the Company and its subsidiaries) set forth in the Registration Statements and the Prospectus and in Exhibit 12 to the Registration Statements, including the information included or incorporated in Items 1, 6 and 7 of the Company's Annual Report on Form 10-K, incorporated in the Registration Statements and the Prospectus, and the information included in the "Management's Discussion and Analysis" included or incorporated in the Company's quarterly reports on Form 10-Q, incorporated in the Registration Statements and the Prospectus, agrees with the accounting records of the Company and its subsidiaries excluding any questions of legal interpretation; and

(iv) they have made a review of any unaudited financial statements included in the Registration Statement in accordance with standards established by the American Institute of Certified Public Accountants, as indicated in their report or reports, if any, attached to such letter.

SCHEDULE I

Agent's Commissions

Commission
(percent of
principal amount
of Note)

Maturity of Note

Maturity

9 months to less than 12 months	.125%
12 months to less than 18 months	.150
18 months to less than 24 months	.200
24 months to less than 30 months	.250
30 months to less than 3 years	.300
3 years to less than 4 years	.350
4 years to less than 5 years	.450
5 years to less than 7 years	.500
7 years to less than 10 year	.550
10 years to less than 20 years	.600
20 years or more	.750

ASHLAND INC.

3,000,000 Shares
(Common Stock, \$1.00 par value)

SALES AGENCY AGREEMENT

April __, 1995

NatWest Securities Limited
135 Bishopsgate
London EC2 M 3UR
England

CS First Boston Corporation
Park Avenue Plaza
New York, NY 10055

Gentlemen:

Ashland Inc., a Kentucky corporation (the "Company"), confirms its agreement with Natwest Securities Limited and CS First Boston Corporation (the "Agents") as follows:

SECTION 1. DESCRIPTION OF SECURITIES. The Company proposes to issue and sell through the Agents, as sales agents, up to 3,000,000 shares (the "Maximum Amount") of Common Stock, \$1.00 par value, of the Company (the "Stock") on the terms set forth in Section 3 hereof.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and agrees with, the Agents that:

(a) The Company meets the requirements for use of Form S-3 under the Securities Act of 1933 (the "Act") and the rules and regulations ("Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder. A registration statement on Form S-3 (Registration No. 33-57011) with respect to, among other

securities, the Stock, including a form of prospectus, has been prepared by the Company in conformity with the requirements of the Act and the Rules and Regulations and filed with the Commission and has become effective. Such registration statement and prospectus have been amended or supplemented prior to the date of this Agreement, and any such amendment filed after the effective date of such registration statement has become effective. No stop order suspending the effectiveness of the registration statement has been issued, and no proceeding for that purpose has been instituted or threatened by the Commission. Copies of such registration statement and prospectus, any such amendment or supplement relating to the Stock and all documents incorporated by reference therein that were filed with the Commission on or prior to the date of this Agreement have been delivered to the Agents. Such registration statement, as it may have heretofore been amended, is referred to herein as the "Registration Statement," and the final form of prospectus included in the Registration Statement, as amended or supplemented from time to time with respect to the Stock, is referred to herein as the "Prospectus." Any reference herein to the Registration Statement, the Prospectus or any amendment or supplement thereto relating to the Stock shall be deemed to refer to and include the documents incorporated (or deemed to be incorporated) by reference therein, and any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or Prospectus shall be deemed to refer to and include the filing after the execution hereof of any document with the Commission deemed to be incorporated by reference therein.

(b) Each part of the Registration Statement, when such part became or becomes effective, and the Prospectus and any amendment or supplement thereto relating to the Stock, on the date of filing thereof with the Commission and at each Closing Date (as hereinafter defined), conformed or will conform in all material respects with the requirements of the Act and the Rules and Regulations; each part of the Registration Statement, when such part became or becomes effective, did not or will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus and any amendment or supplement thereto relating to the Stock, on the date of filing thereof with the Commission and at each Closing Date, did not and will not include an untrue statement of a material fact or omit to state a material fact necessary to

make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing shall not apply to statements in or omissions from any such document in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of the Agents, specifically for use in the Registration Statement, the Prospectus or any amendment or supplement thereto.

(c) The documents incorporated by reference in the Registration Statement or the Prospectus, or any amendment or supplement thereto, when they became or become effective under the Act, or were or are filed with the Commission under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as the case may be, conformed or will conform in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder.

(d) The consolidated financial statements of the Company, together with the related notes and schedules, and any selected financial data set forth or incorporated by reference in the Registration Statement and Prospectus for the periods therein specified were prepared in conformity with generally accepted accounting principles consistently applied throughout the periods involved (except as otherwise stated therein) and fairly present on any basis stated therein the information included therein.

SECTION 3. SALE AND DELIVERY OF SECURITIES. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell through the Agents, and the Agents agree to sell, as sales agents for the Company, on a best efforts basis, up to the Maximum Amount of Stock on the terms set forth herein. The Company shall have the right to appoint additional persons to act as its agents to effect such sales upon three days prior notice to the Agents then acting hereunder so long as any such additional persons become parties to this Agreement upon the same terms and conditions as shall then be applicable to such Agents. The Company shall designate one Agent (the "Designated Agent") to make all sales for it hereunder during each Pricing Period (as hereinafter defined) and no other Agent shall make any such sales during such period.

The Stock, up to the Maximum Amount, is to be sold during one or more pricing periods each of which shall end on a Friday (each a "Pricing Period"), each Pricing Period consisting of five consecutive calendar days or such lesser number of days as shall be agreed to by the Company and the Designated Agent. The Company and the Designated Agent shall agree to any Pricing Period and the number of shares of Stock (not to exceed 50,000 shares) to be sold by the Designated Agent during such Pricing Period (the "Average Market Price Shares"). Subject to the terms and conditions hereof, the Designated Agent shall use its best efforts to sell all of the Average Market Price Shares during such Pricing Period. The Agents shall sell the shares of Stock (including both the Average Market Price Shares and any Additional Shares, as hereinafter defined) only in ordinary brokers' transactions (within the meaning of Section 4(4) of the Act) on any national securities exchange, including the New York and Chicago Stock Exchanges, on which such shares of Stock are listed. The Agents shall not solicit or arrange for the solicitation of customers' orders in anticipation of or in connection with such transactions, nor shall they sell short as principal shares of Common Stock of the Company except in connection with customary market making activities in the Company's outstanding securities. The Agents shall not engage in any special selling efforts or selling methods relating to the Stock within the meaning of Rule 10b-6(c)(5) under the Exchange Act. The Company or the Designated Agent may, upon notice to the other hereto by telephone (confirmed promptly by telecopy), suspend or terminate the offering of Stock during any Pricing Period; PROVIDED, HOWEVER, that such suspension or termination shall not affect or impair the parties' respective obligation with respect to shares of Stock sold hereunder prior to the giving of such notice.

The net proceeds (the "Net Proceeds") to the Company for the Average Market Price Shares sold by the Designated Agent during a Pricing Period will equal the sum of (i) the product of (x) 97.5% times (y) the average of the arithmetic mean of the high and low sales prices of the Common Stock of the Company reported on the New York Stock Exchange ("NYSE") for each trading day of such Pricing Period (the "Average Market Price"), times (z) the number of Average Market Price Shares sold during such Pricing Period, plus (ii) Alternative Proceeds (defined below), if any plus (iii) Excess Proceeds (defined below), if any. Subject to adjustment as set forth in the next two paragraphs, the compensation to the Designated Agent with respect to the sale of Average Market Price Shares sold hereunder shall equal the difference between the aggregate gross sales

prices at which such sales are actually effected by the Designated Agent and the Net Proceeds.

Prior to and from time to time during any Pricing Period, the Company may instruct the Designated Agent by telephone (confirmed promptly by telecopy) not to sell shares of Stock if such sales cannot be effected at or above the price designated by the Company in any such instruction. If such an instruction is given and as a result thereof the Designated Agent is unable to sell shares of Stock in an amount greater than or equal to the daily PRO RATA portion of Average Market Price Shares to be sold during such Pricing Period, then (i) that day's high and low sales prices of Common Stock of the Company reported on the NYSE shall not be included in the calculation of Average Market Price and (ii) the net proceeds payable to the Company (the "Alternative Proceeds") and the compensation payable to the Designated Agent in respect of any sales of Average Market Price Shares effected that day by the Designated Agent shall be equal to 97.5% and 2.5%, respectively, of the weighted average sales prices at which the Designated Agent has actually effected sales of Stock during that day.

To the extent the compensation payable to the Designated Agent hereunder would otherwise exceed ten percent of the aggregate gross sales prices of the Average Market Price Shares during any Pricing Period, such excess over ten percent shall constitute "Excess Proceeds" payable to the Company.

During any Pricing Period, the Company and the Designated Agent may agree upon the sale of shares ("Additional Shares") of Stock in an amount of 1,000 shares or more, in addition to the sale of Average Market Price Shares (such Additional Shares to be included in the Maximum Amount). The compensation to the Designated Agent for sales of the first 50,000 Additional Shares sold in any Pricing Period shall be \$0.10 per share, and the compensation to the Agents for sales of Additional Shares in excess thereof during such Pricing Period shall be 1.40% of the gross sales price per share. The sale of Additional Shares during any day shall be confirmed in writing by the Designated Agent to the Company following the close of business that day. All other shares of Stock sold during a Pricing Period not so confirmed shall be deemed Average Market Price Shares.

The Designated Agent shall provide written confirmation to the Company following the close of business

on the final day of each Pricing Period setting forth the dates included within the Pricing Period, the number of Average Market Price Shares and Additional Shares, if any, sold during the Pricing Period, the gross proceeds from the sale of such shares, the high and low prices at which Average Market Price Shares and Additional Shares, if any, were sold during such Pricing Period, the Net Proceeds to the Company, the amount of Excess Proceeds, if any, the amount of Alternative Proceeds, if any, the compensation payable by the Company to the Designated Agent with respect to such sales and the Average Market Price for such Pricing Period. The Agents hereby acknowledge that the Company will be relying upon such information in preparing a prospectus supplement pursuant to the applicable paragraph of Rule 424(b) of the Rules and Regulations with respect to each Pricing Period.

Settlement for sales of Additional Shares will occur on the fifth business day (or such shorter period as may be required by applicable regulatory authority or as otherwise agreed to by the Company and the Designated Agent) following the date on which such sales are made. The amount of proceeds for such sales to be delivered to the Company against the receipt of the Additional Shares sold shall be equal to the aggregate sales prices at which such Additional Shares were sold, net of the Designated Agent's compensation for such sales and after deduction for any transaction fees imposed by any governmental or self-regulatory organization in respect of such sales. Settlement for sales of Average Market Price Shares will occur on a weekly basis (unless a shorter period is required by applicable regulatory authority or is otherwise agreed to by the Company and the Designated Agent) as follows. On each Monday (or the next succeeding business day if such Monday is not a business day) following the end of a Pricing Period (each a "Closing Date"), the Average Market Price Shares sold through the Designated Agent during such Pricing Period will be delivered by the Company to the Designated Agent against payment of the Net Proceeds for such Pricing Period. In the event a Pricing Period shall end on a day other than a Friday, arrangements will be made by the Company to assure delivery of shares of the Stock to the Designated Agent to avoid any failure by such Designated Agent to deliver shares of Stock in accordance with applicable regulatory requirements. Settlement for all shares shall be effected via The Depository Trust Corporation on a delivery-versus-payment basis.

At each settlement, the Company shall be deemed to have affirmed each representation, warranty, covenant and other agreement contained in this Agreement. The Company covenants and agrees with the Agents that within two business days of the termination of each Pricing Period, the Company will file a prospectus supplement pursuant to the applicable paragraph of Rule 424(b) of the Rules and Regulations, which prospectus supplement will name the Designated Agent, set forth the dates included within the Pricing Period, the number of such shares of Stock sold through the Designated Agent, the high and low prices at which Average Market Price Shares were sold during such Pricing Period, the Net Proceeds to the Company and the compensation payable by the Company to the Designated Agent with respect to such sales (all as provided in writing by the Designated Agent for inclusion in each such prospectus supplement). The obligations of the Agents to sell the Stock shall be subject to the continuing accuracy of the representations and warranties of the Company herein, to the performance by the Company of its obligations hereunder and to the continuing satisfaction of the additional conditions specified in Section 5 of this Agreement.

SECTION 4. COVENANTS. The Company covenants and agrees with the Agents that:

(a) Prior to the termination of the offering of the Stock under this Agreement, the Company will not file any amendment or supplement to the Registration Statement or the Prospectus (except for a supplement relating to an offering of securities other than the Stock) unless a copy thereof has been submitted to you a reasonable period of time before its filing and you have not reasonably objected thereto within a reasonable period of time after receiving such copy. Subject to the foregoing sentence, the Company will cause each amendment or supplement to the Prospectus to be filed with the Commission as required pursuant to the applicable paragraph of Rule 424(b) of the Rules and Regulations or, in the case of any document to be incorporated therein by reference, to be filed with the Commission as required pursuant to the Exchange Act, within the time period prescribed.

(b) Within the time during which a prospectus relating to the Stock is required to be delivered under the Act, the Company will use its best efforts to comply with all requirements imposed upon it by the Act and by the Rules and Regulations, as from time to time in force, so far as

necessary to permit the continuance of sales of or dealings in the Stock as contemplated by the provisions hereof and the Prospectus. If during such period any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend or supplement the Registration Statement or Prospectus to comply with the Act, the Company promptly will (x) notify the Agents to suspend or terminate the offering of Stock during such period and (y) amend or supplement the Registration Statement or Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(c) The Company will at its expense arrange for the qualification of the Stock for sale under the securities laws of such jurisdictions as you reasonably designate and the continuance of such qualifications in effect so long as required for the distribution of the Stock, except that the Company shall not be required in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

(d) The Company will furnish to the Agents and their counsel (at the expense of the Company) copies of the Registration Statement, the Prospectus (including all documents incorporated by reference therein) and all amendments and supplements to the Registration Statement or Prospectus (except for supplements relating to an offering of securities other than the Stock) that are filed with the Commission during the period in which a prospectus relating to the Stock is required to be delivered under the Act (including all documents filed with the Commission during such period that are deemed to be incorporated by reference therein), in each case as soon as available and in such quantities as you may from time to time reasonably request, and will also furnish copies of the Prospectus to the NYSE in accordance with Rule 153 of the Rules and Regulations.

(e) The Company will make generally available to its security holders as soon as practicable, an earnings statement or statements (which need not be audited) that will satisfy the provisions of Section 11(a) of the Act and Rule 158 of the Rules and Regulations.

(f) The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay all expenses incident to the performance of its obligations hereunder, will pay all expenses of preparing and printing all documents relating to the offering, and will reimburse the Agents for all reasonable fees and disbursements of counsel incurred by them in connection with the performance of their obligations under this Agreement. The Company shall not in any event be liable to the Agents for loss of anticipated profits from the transactions covered by this Agreement.

(g) The Company will apply the net proceeds from the sale of the Stock as set forth in the Prospectus.

(h) The Company will not, directly or indirectly, offer or sell, any shares of its Common Stock (other than the Stock as provided herein and any such shares pursuant to employee incentive or benefit plans or outstanding convertible securities) or securities convertible into or exchangeable for, or any rights to purchase or acquire, Common Stock during the period ending on the final Closing Date for the sale of Stock hereunder without first suspending activity under this program.

(i) Each time that either of the Registration Statement or the Prospectus is amended or supplemented to set forth amended or supplemental financial information including, without limitation, by filing an Annual Report on Form 10-K (other than by an amendment or supplement resulting from the filing by the Company of a Quarterly Report on Form 10-Q or a Current Report on Form 8-K, or any similar successor forms), unless, in your reasonable judgment, such Quarterly Report or Current Report is of such a nature that a letter from the Company's independent public accountants should be furnished, the Company will cause its independent public accountants forthwith to furnish a letter, dated the date of the effectiveness of such amendment or the date of filing of such supplement, in form satisfactory to you, of the same tenor as the letter referred to in Section 5(f) with such changes as may be necessary to reflect the amended and supplemental financial information included or incorporated by reference in the Registration Statement and the Prospectus, as amended or supplemented to the date of such letter, provided that if either of the Registration Statement or the Prospectus is amended or supplemented solely to include or incorporate by reference financial information as of and for a fiscal

quarter and you shall have reasonably requested that such a letter be furnished, the Company's independent public accountants may limit the scope of such letter, which shall be satisfactory in form to you, to the unaudited financial statements, the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any other information of an accounting, financial or statistical nature included in such amendment or supplement.

(j) The Company will, at any time during the term of this Agreement, as supplemented from time to time, advise the Agents immediately after it shall have received notice or obtained knowledge thereof, of any information or fact that would alter or affect any opinion, certificate, letter or other document provided to the Agents pursuant to Section 5 herein.

SECTION 5. CONDITIONS OF AGENTS' OBLIGATIONS. The obligations of the Agents and of the Designated Agent to sell the Stock as provided herein shall be subject to the accuracy, in the sole discretion of the Agents or the Designated Agent, as of the date hereof and as of the first date and the Closing Date or Dates for any Pricing Period contemplated under this Agreement of the representations and warranties of the Company herein, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) No stop order suspending the effectiveness of the Registration Statement and no other order of the Commission pertaining to any document incorporated therein by reference shall have been issued and no proceeding for that purpose shall have been instituted or, to the knowledge of the Company or the Agents, threatened by the Commission, and any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to your satisfaction.

(b) No Agent shall have advised the Company that the Registration Statement or Prospectus, or any amendment or supplement thereto relating to the Stock, contains an untrue statement of fact that in the opinion of such Agent is material, or omits to state a fact that in such Agent's opinion is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) Except as contemplated in the Prospectus (directly or by incorporation), subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have been any material adverse change, on a consolidated basis, in the business, financial condition or results of operations of the Company and its subsidiaries.

(d) The Agents shall have received at the date of the commencement of the first Pricing Period hereunder (the "Commencement Date") and at the date of closing of the last Pricing Period hereunder an opinion of Thomas L. Feazell, Esq., Senior Vice President, General Counsel and Secretary of the Company, dated as of the Commencement Date or the date of Closing of the last Pricing Period, to the effect that:

(i) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the Commonwealth of Kentucky with full corporate power and authority to own its properties and conduct its business as described in the Prospectus; and is duly qualified to do business as a foreign corporation under the laws of each jurisdiction which requires such qualification wherein it owns or leases material properties or conducts material business, except for any jurisdiction wherein the failure to be so qualified would not have a material adverse effect on the Company and its subsidiaries taken as a whole;

(ii) To the best knowledge of such counsel, no consent, approval, authorization or order of, any governmental agency or body or any court is required for the consummation of the transactions contemplated by this Agreement in connection with the issuance or sale of the Stock by the Company, except such as have been obtained and made under the Act and such as may be required under state securities laws;

(iii) The shares of Stock have been duly authorized and, upon due execution and delivery against payment therefor pursuant to this Agreement, will be validly issued and fully paid and non-assessable and no holder thereof will be subject to personal liability by reason of being such a holder; the shares of Stock will not be subject to the preemptive rights of any stockholder of the Company or any lien attributable to the Company's acts; all corporate action required to be

taken for the authorization, issue and sale of the Stock has been validly and sufficiently taken; and the shares of Stock are the subject of an effective registration statement permitting their sale in the manner contemplated by this Agreement;

(iv) The execution, delivery and performance of this Agreement and the issuance and sale of the shares of Stock and compliance with the terms and provisions thereof will not conflict with, result in a material breach or violation of any of the terms and provisions of or constitute a material default under, any statute, any rule, regulation or order known to such counsel to be applicable to the Company of any governmental agency, authority or body or any court having jurisdiction over the Company or any subsidiary of the Company or any of their properties, or any agreement or instrument known to such counsel to which the Company or any such subsidiary is a party or by which the Company or any such subsidiary is bound or to which any of the properties of the Company or any such subsidiary is subject, or the Second Restated Articles of Incorporation or By-laws of the Company, in each case as amended to the date of this Agreement, and the Company has full power and authority to authorize, issue and sell the shares of Stock as contemplated by this Agreement;

(v) To the best knowledge of such counsel (a) there is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries, the probable outcome of which would have a material adverse effect on the financial condition of the Company and its subsidiaries taken as a whole and which is not adequately disclosed in the Prospectus (directly or by incorporation); (b) there is no franchise, contract or other document of a character required to be described in the Registration Statement or Prospectus, or to be filed as an exhibit, which is not described or filed as required; and (c) the statements included or incorporated in the Prospectus describing any statutes, legal or governmental proceedings or material contracts or agreements relating to the Company fairly summarize such matters.

(vi) The Registration Statement was declared effective under the Act as of the date and time specified in such opinion, the Prospectus either was filed with the Commission pursuant to the subparagraph of Rule 424(b) specified in such opinion on the date specified therein or was included in the Registration Statement (as the case may be) and, to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act, and the Registration Statement and the Prospectus and each amendment or supplement thereto which relates to the Stock specified in such opinion, as of their respective effective or issue date, complied as to form in all material respects with the requirements of the Act and the Rules and Regulations; such counsel has no reason to believe that either the Registration Statement or the Prospectus, or any such amendment or supplement, as of such respective dates or as of the date of such opinion, contained or contain any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading; it being understood that such counsel need express no opinion as to the financial statements including the notes thereto and related schedules or other financial and statistical data contained or incorporated by reference in the Registration Statement or the Prospectus;

(vii) This Agreement has been duly authorized, executed and delivered by the Company; and

(viii) No holders of Common Stock of the Company have rights to the registration of such shares of Common Stock under the Registration Statement.

(e) The Agents shall have received at the times specified in Section 5(d) from each of (i) Cravath, Swaine & Moore, special counsel to the Company, such opinions or letters with respect to the incorporation of the Company, the matters addressed in Section 5(d)(iii), (vi) and (vii) and other related matters as the Agents reasonably may request, and (ii) Davis Polk & Wardwell, counsel for the Agents, as to such matters as the Agents reasonably may request and such counsel shall have received such documents

and other information as they may reasonably request to enable them to pass upon such matters.

(f) At or prior to the Commencement Date and such other dates as may be required, the Agents shall have received a letter from Ernst & Young LLP, independent public accountants for the Company, dated the date of delivery thereof, substantially in the form attached hereto as Annex 1.

(g) The Agents shall have received from the Company a certificate, or certificates, signed by two authorized officers, including the principal financial or accounting officer (unless such officers are unavailable), of the Company, dated as of the Commencement Date and as of the date of filing by the Company of a Quarterly Report on Form 10-Q and an Annual Report on Form 10-K, to the effect that, to the best of their knowledge based upon reasonable investigation:

(i) The representations and warranties of the Company in this Agreement are true and correct, as if made at and as of the date of such certificate, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such date;

(ii) No stop order suspending the effectiveness of the Registration Statement and no other order of the Commission pertaining to any document incorporated therein has been issued, and no proceeding for that purpose has been instituted or is threatened, by the Commission;

(iii) Since the date of this Agreement there has occurred no event required to be described in an amendment or supplement to the Registration Statement or Prospectus that has not been so described and there has been no document required to be filed under the Exchange Act and the rules and regulations of the Commission thereunder that upon such filing would be deemed to be incorporated by reference in the Prospectus that has not been so filed; and

(iv) Since the date of this Agreement, there has not been any material adverse change, on a consolidated basis, in the business, financial condition or results of operations of the Company and its subsidiaries which

has not been described in an amendment or supplement to the Registration Statement or Prospectus (directly or by incorporation).

(h) The Company shall have furnished to you such further certificates and documents as you shall have reasonably requested.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are in the form set forth herein or, if not set forth herein, satisfactory in form and substance to the Agents. The Company will furnish the Agents with such conformed copies of such opinions, certificates, letters and other documents as the Agents shall reasonably request.

SECTION 6. INDEMNIFICATION. (a) The Company will indemnify and hold harmless each Agent and each person, if any, who controls such Agent within the meaning of Section 15 of the Act against any and all losses, claims, damages and liabilities, joint or several (including any investigation, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement thereto which relates to the Stock, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided that the Company will not be liable to the extent that such loss, claim, damage or liability arises from or is based upon an untrue statement or omission or alleged untrue statement or omission (i) made in reliance upon and in conformity with information relating to an Agent furnished in writing to the Company by the Agent expressly for use in the document or (ii) in a preliminary prospectus if the Prospectus, as amended or supplemented as of the time of the confirmation of the sale to such person, corrected the untrue statement or omission or alleged untrue statement or omission which is the basis of the loss, claim, damage or liability for which indemnification is sought and a copy of the Prospectus, as so amended (but excluding any

documents incorporated therein by reference), was not sent or given to such person at or before the confirmation of the sale to such person in any case where such delivery is required by the Act, unless such failure to deliver the Prospectus, as so amended, was a result of noncompliance by the Company with Section 4(b). This indemnity agreement will be in addition to any liability that the Company might otherwise have.

(b) Each of the Agents, severally and not jointly, will indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Act, each director of the Company and each officer of the Company who signs the Registration Statement to the same extent as the foregoing indemnity from the Company to each of the Agents, but only insofar as losses, claims, damages or liabilities arise from or are based upon any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement thereto which relates to the Stock in reliance upon and in conformity with information relating to such Agent furnished in writing to the Company by such Agent expressly for use in the document. This indemnity agreement will be in addition to any liability that the Agents might otherwise have.

(c) Any party that proposes to assert the right to be indemnified under this Section 6 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 6, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission to so notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party otherwise than under this Section 6. If any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel who shall be reasonably satisfactory to the indemnified party, and, after notice from the indemnifying party to the indemnified party of its

election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees and expenses of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded that there may be legal defenses available to it or other indemnified parties which are different from or in addition to those available to the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (3) the indemnifying party has not in fact employed counsel reasonably satisfactory to such indemnified party to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees and expenses of such counsel will be at the expense of the indemnifying party or parties and all such fees and expenses will be reimbursed promptly as they are incurred. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent or, in connection with any proceeding or related proceedings in the same jurisdiction, for the fees and expenses of more than one separate counsel for all indemnified parties.

SECTION 7. CONTRIBUTION. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 6 is applicable in accordance with its terms but for any reason is held by a tribunal to be unavailable from the Company or the Agents, the Company and the Agents will contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action or any claims asserted, but after deducting any contribution received by the Company from persons other than the Agents, such as persons who control the Company within the meaning of the Act, officers of the Company who signed the Registration Statement and directors of the Company, who may also be liable for contribution) to which the Company and the Agents may be subject in such proportion so that the Agents are responsible for that portion represented by the

percentage that the aggregate commissions received by the Agents pursuant to Section 3 bears to the aggregate proceeds received by the Company from the sale of the Stock and the Company is responsible for the balance; provided that (i) the Agents will not be responsible for any amount in excess of the aggregate commissions received by the Agents pursuant to Section 3 and (ii) no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7, any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement and each director of the Company will have the same rights to contribution as the Company, subject in each case to clauses (i) and (ii) of this Section 7. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 7, notify such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have otherwise than under this Section 7. No party will be liable for contribution with respect to any action or claim settled without its written consent.

SECTION 8. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements of the Company herein or in certificates delivered pursuant hereto, and the agreements of each Agent contained in Section 6 and Section 7 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of such Agent or any controlling persons, or the Company or any of its officers, directors or any controlling persons, and shall survive delivery of and payment for the Stock.

SECTION 9. TERMINATION. (a) Each Agent shall have the right, by giving notice as hereinafter specified at any time at or prior to any Closing Date, to terminate this Agreement with respect to such Agent if (i) any material adverse change, or any development involving a prospective material adverse change, in the business, financial condition or results of operations of the Company and its subsidiaries has occurred which, in the judgment of such

Agent, materially impairs the investment quality of the Stock; (ii) the Company shall have failed, refused or been unable, at or prior to the Closing Date, to perform any agreement on its part to be performed hereunder, (iii) any other condition of the Agents' obligations hereunder is not fulfilled, (iv) any suspension or limitation of trading in the Common Stock of the Company on the New York Stock Exchange, or any setting of minimum prices for trading of the Stock on such exchange, shall have occurred, (v) any banking moratorium shall have been declared by Federal or New York authorities or (vi) an outbreak or material escalation of major hostilities in which the United States is involved, a declaration of war by Congress, any other substantial national or international calamity or any other event or occurrence of a similar character shall have occurred since the execution of this Agreement that, in the judgment of such Agent, makes it impractical or inadvisable to proceed with the completion of the sale of and payment for the Stock to be sold by such Agent on behalf of the Company. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4(f), Section 6 and Section 7 hereof shall at all times be effective. If any Agent elects to terminate this Agreement as provided in this Section, such Agent shall provide the required notice promptly by telephone, telex or telecopy, confirmed by letter.

(b) The Company shall have the right, by giving notice as hereinafter specified, to terminate this Agreement in its sole discretion on the date occurring sixty (60) days after the date of this Agreement and every sixty (60) days thereafter. Notwithstanding the foregoing, if the Company chooses to effect any offering of equity securities or equity-related securities (other than the offering of the Stock) before the completion of the offering contemplated hereby, the Company may terminate this Agreement at any time. Any termination shall be without liability of any party to any other party except that the provisions of Section 4(f) and Section 6 hereof shall at all times be effective. If the Company elects to terminate this Agreement as provided in this Section, the Company shall provide the required notice promptly by telephone, telex, or telecopy, confirmed by letter.

(c) Any termination of this Agreement shall be effective on the date specified in such notice of termination; provided that such termination shall not be effective until the close of business on the date of receipt

of such notice by the Agents. If such termination shall occur during a Pricing Period, any Additional Shares and Average Market Price Shares shall settle in accordance with the provisions of the second to last paragraph of Section 3 hereof.

SECTION 10. NOTICES. All notices or communications hereunder shall be in writing and if sent to the Agents or a Designated Agent shall be mailed, delivered, telexed or telecopied and confirmed to NatWest Securities Limited, c/o NatWest Markets Group, 175 Water Street, New York, New York 10038, and CS First Boston Corporation, Park Avenue Plaza, New York, New York 10055, Attention of Kenneth Wallace, Equity Capital Markets, or if sent to the Company, shall be mailed, delivered, telexed or telecopied and confirmed to the Company at 1000 Ashland Drive, Russell, Kentucky 41169, Attention: Assistant Treasurer-Finance, except that legal notices will be sent to the attention of the General Counsel, with a copy to Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York 10019, Attention: David G. Ormsby, Esq. Each party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

SECTION 11. PARTIES. This Agreement shall inure to the benefit of and be binding upon the Company and the Agents and their respective successors and the controlling persons, officers and directors referred to in Section 6 hereof, and no other person will have any right or obligation hereunder.

SECTION 12. APPLICABLE LAW. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the principles of conflicts of laws.

SECTION 13. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If the foregoing correctly sets forth the understanding between the Company and the Agents, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between the Company and the Agents. Alternatively, the execution of this Agreement by the Company and its acceptance by or on behalf of the Agents may be evidenced by an exchange of telegraphic or other written communications.

Very truly yours,

ASHLAND INC.,

By: _____

Title: _____

ACCEPTED as of the date
first above written

NATWEST SECURITIES
LIMITED

By: _____

Title: _____

CS FIRST BOSTON
CORPORATION

By: _____

Title: _____

ACCOUNTANTS' COMFORT LETTER

Upon the Commencement Date (1) and thereafter, to the extent provided in Section 4(i) of the Sales Agency Agreement, Ernst & Young LLP shall furnish to the Agents a letter, dated as of the date of delivery thereof, in form and substance satisfactory to the Agents confirming that they are independent accountants within the meaning of the Securities Act and the applicable published rules and regulations thereunder and stating in effect that:

(i) in their opinion the consolidated financial statements audited by them and incorporated by reference in the Registration Statement and the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the related published rules and regulations;

(ii) on the basis of a reading of the latest available interim consolidated financial statements of the Company, carrying out certain specified procedures (but not an audit in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter, inquiries of officials of the Company responsible for financial and accounting matters and other specified procedures, nothing came to their attention that caused them to believe that:

(A) the unaudited consolidated financial statements, if any, included or incorporated in the Registration Statement and the Prospectus do not comply as to form in all material respects with the applicable accounting requirements and with the published rules and regulations of the Commission with respect to financial statements included or incorporated in quarterly reports on Form 10-Q under the Exchange Act, or are not in

(1) All capitalized terms used herein shall have the meanings ascribed to them in the Sales Agency Agreement of which this Annex 1 is a part.

conformity with generally accepted accounting principles applied on a basis consistent with that of the audited financial statements included or incorporated in the Registration Statement and the Prospectus, except for the accounting changes discussed in the notes thereto;

(B) with respect to the period subsequent to the date of the most recent financial statements included or incorporated in the Registration Statement or Prospectus, (i) at the date of the latest available consolidated balance sheet read by such accountants or (ii) at a subsequent specified date not more than five days prior to the date of the letter, there was any decrease in the working capital (but only with respect to the date referred to in the foregoing clause (i)), any change in capital stock of the Company (except pursuant to existing stock option, bonus or other similar plans or conversion of debentures or preferred stock) or increase in long-term debt and debt due within one year, or decrease in the common stockholders' equity of the Company and its consolidated subsidiaries (except such changes, increases or decreases which the Prospectus (directly or by incorporation) discloses have occurred or may occur) as compared with the amounts shown on the most recent consolidated balance sheet included or incorporated in the Registration Statement and the Prospectus;

(C) for the period from the closing date of the most recent consolidated balance sheet included or incorporated in the Registration Statement and the Prospectus to the closing date of the latest available consolidated income statement read by such accountants there were any decreases, as compared with the corresponding period in the previous year, in consolidated sales and operating revenues or consolidated net income except for changes or decreases which the Prospectus (directly or by incorporation) discloses have occurred or may occur, or which are described in such letter; or

(D) unaudited pro forma consolidated condensed financial statements, if any, included or incorporated by reference in the Prospectus do

not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of the Company and its subsidiaries) set forth in the Registration Statement and the Prospectus and in Exhibit 12 to the Registration Statement, including the information included or incorporated in Items 1, 6 and 7 of the Company's Annual Report on Form 10-K, incorporated in the Registration Statement and the Prospectus, and the information included in the "Management's Discussion and Analysis" included or incorporated in the Company's quarterly reports on Form 10-Q, incorporated in the Registration Statement and the Prospectus, agrees with the accounting records of the Company and its subsidiaries excluding any questions of legal interpretation; and

(iv) they have made a review of any unaudited financial statements included in the Registration Statement in accordance with standards established by the American Institute of Certified Public Accountants, as indicated in their report or reports, if any, attached to such letter.

REGISTERED

REGISTERED

ASHLAND INC.

MEDIUM-TERM NOTE, SERIES G
 DUE NINE MONTHS OR MORE FROM DATE OF ISSUE
 (FIXED RATE)

U.S.\$

NO.

ORIGINAL ISSUE DATE: INTEREST RATE: CUSIP MATURITY DATE:
 REDEMPTION DATE: INDEXED NOTES: / / YES (see attached) / / NO
 OTHER PROVISIONS:

ASHLAND INC., a corporation duly organized and existing under the laws of Kentucky (herein called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to

, or registered assigns, the principal sum of

U.S. DOLLARS, on the Maturity Date specified above, and to pay interest thereon from the Original Issue Date specified above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding the relevant Interest Payment Date, semiannually in arrears on June 15 and December 15 in each year, unless otherwise indicated in the applicable pricing supplement, commencing on the first such date after the Original Issue Date set forth above, at the rate set forth on the face hereof, until the principal hereof is paid or made available for payment; PROVIDED, HOWEVER, that if the Original Issue Date set forth above is after a Regular Record Date referred to below and before the related Interest Payment Date, the first payment of interest will be made on the Interest Payment Date following the next succeeding Regular Record Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than at Maturity) will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), unless otherwise indicated in the applicable pricing supplement, as the case may be, next preceding such Interest

Payment Date; PROVIDED, HOWEVER, that interest payable at Maturity shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal, premium, if any, and interest on this Security will be made at the principal corporate trust office of the Trustee in the Borough of Manhattan, The City of New York, or such other office or agency of the Company as may be designated by it for such purpose in the Borough of Manhattan, The City of New York (the "Paying Agent"), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company, payment of interest (except at Maturity) may be made by United States dollar check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Payment of the principal, premium, if any, and interest on this Security due at Maturity will be made in immediately available funds upon surrender of this Security to the Paying Agent; PROVIDED that this Security is presented to the Paying Agent in time for the Paying Agent to make such payment in accordance with its normal procedures. "Maturity" shall mean the date on which the principal of this Security or an installment of principal becomes due, whether on the Maturity Date specified above, upon redemption or otherwise.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SECURITY SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized officer, this Security

shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: ASHLAND INC.

By -----
Senior Vice President

[Seal] Attest:

Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the Series designated therein referred to in the within-mentioned Indenture.

CITIBANK, N.A.
As Trustee

By -----
Authorized Officer

[Form of Reverse]

ASHLAND INC.
MEDIUM-TERM NOTE, SERIES G

(Fixed Rate)

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990 (herein called the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

This Security may not be redeemed prior to the Redemption Date set forth on the face hereof. If no Redemption Date is so set forth, this Security is not redeemable prior to the Maturity Date. On or after the Redemption Date set forth on the face hereof, this Security is redeemable in whole or in part in increments of U.S. \$1,000 at the option of the Company at a redemption price equal to 100% of the principal amount to be redeemed together with interest thereon to the date of redemption.

Notice of redemption will be given by mail to Holders of Securities, not more than 60 nor less than 30 days prior to the date fixed for redemption, all as provided in the Indenture.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

The Securities of this series will not have a sinking fund unless otherwise specified in the applicable pricing supplement.

Subject to a number of important qualifications and exceptions set forth in the Indenture, the Indenture provides that neither the Company nor any Subsidiary (as defined in the Indenture) will (i) issue, assume or guarantee any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed secured by a mortgage, lien, pledge or other encumbrance upon any real or personal property located in the continental United States of America without effectively providing that the Securities will be secured equally and ratably with (or, at the option of the Company, prior to) such indebtedness so long as such indebtedness shall be so secured or (ii) enter into any Sale and Lease-Back Transactions (as defined in the Indenture).

The Indenture also provides that the Company at its option (a) will be Discharged (as such term is defined in the Indenture) from any and all obligations in respect of the Securities (except for certain obligations to register the transfer or exchange of Securities, replace stolen, lost or mutilated Securities, maintain paying agencies and hold moneys for payment in trust) or (b) need not comply with certain restrictive covenants of the Indenture, if there is deposited with the Trustee, in the case of Securities Denominated in U.S. dollars, U.S. Government Obligations (as defined in the Indenture) or, in the case of Securities denominated in a foreign currency, Foreign Government Securities (as defined in the Indenture), which through the payment of interest thereon and principal thereof in accordance with their terms will provide money or a combination of money and U.S. Government Obligations or Foreign Government Securities, as the case may be, in an amount sufficient to pay in the currency, currencies or currency unit or units in which the Securities are payable all the principal, premium, if any, and interest on, the Securities on the dates such payments are due in accordance with the terms of the Securities.

Interest payments for this Security will include interest accrued to but excluding the Interest Payment Date. Interest payments for this Security shall be computed and paid on the basis of a 360-day year of twelve 30-day months.

The interest rate on this Security will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general applicability.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Security of this series will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to this series, the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Securities of this series a direction inconsistent with such request and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal, premium, if any, or interest on this Security on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal, premium, if any, and

interest on this Security at the times, places and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the corporate trust office of the Trustee or such other office or agency as may be designated by the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and with like terms and conditions and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form, without coupons, in denominations of \$1,000 and any integral multiple of \$1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination and with like terms and conditions, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

[Form of Certificated Floating Rate Registered Security--United States]

[Form of Face]

NOTE NUMBER AGENT'S NAME

ASHLAND INC.

PRINCIPAL AMOUNT SETTLEMENT DATE TRADE DATE

U.S.\$ (ORIGINAL ISSUE DATE)

MATURITY DATE TRUSTEE'S CUST. NO. INTEREST RATE TAXPAYER ID TRANSFERRED
OR SOC. SEC. NO. OF
PURCHASER

NAME AND ADDRESS OF REGISTERED OWNER MEDIUM-TERM
NOTE
PROGRAM

CITIBANK, N.A.
TRUSTEE

CUSTOMER'S RETAIN FOR THE TIME OF THE PLEASE SIGN SEE
COPY TAX PURPOSES TRANSACTION WILL BE AND RETURN REVERSE SIDE
FURNISHED UPON REQUEST
OF THE CUSTOMER

REGISTERED

REGISTERED

ASHLAND INC.

MEDIUM-TERM NOTE, SERIES G
DUE NINE MONTHS OR MORE FROM DATE OF ISSUE
(FLOATING RATE)

U.S.\$

ORIGINAL ISSUE DATE: INITIAL INTEREST RATE: MATURITY DATE:

REDEMPTION DATE:

CALCULATION AGENT: INDEX MATURITY: SPREAD: +/-

- 1 MONTH SPREAD MULTIPLIER %
- 3 MONTHS
- 6 MONTHS
- 1 YEAR

INTEREST RATE BASIS: // COMMERCIAL // LIBOR // TREASURY // PRIME
 PAPER RATE RATE RATE RATE

// FEDERAL FUNDS // CD RATE
 RATE

MAXIMUM INTEREST RATE: % INTEREST PAYMENT PERIOD:
(monthly, quarterly, semi-annually or annually)

MINIMUM INTEREST RATE: % INTEREST RATE RESET PERIOD:
(daily, weekly, monthly, quarterly, semi-annually or annually)

INTEREST PAYMENT DATES: INTEREST RESET DATES:

REGULAR RECORD INDEXED NOTES: // YES (see attached)
// NO
DATES:

OTHER PROVISIONS:

ASHLAND INC., a corporation duly organized and existing under the laws of Kentucky (herein called the "Company" which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to

, or registered assigns, the principal sum of

U.S. DOLLARS on the Maturity Date specified above, and to pay interest thereon at a rate per annum equal to the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions on the reverse hereof under the heading "Determination of Commercial Paper Rate", "Determination of Prime Rate", "Determination of LIBOR", "Determination of Treasury Rate", "Determination of Federal Funds Rate" or "Determination of CD Rate", depending upon whether the Interest Rate Basis specified above is the Commercial Paper Rate, Prime Rate, LIBOR, Treasury Rate, Federal Funds Rate or CD Rate, which rate may be adjusted by adding or subtracting the Spread or multiplying by the Spread Multiplier (as such terms are defined below) depending on whether a Spread or Spread Multiplier is designated above, until the principal hereof is paid or duly made available for payment. In addition, a Floating Rate Note may bear interest at the lowest or highest or average of two or more interest rate formulae. The "Spread", if any, is the number of basis points designated above, and the "Spread Multiplier", if any, is the percentage designated above. The Company will pay interest monthly, quarterly, semi-annually or annually as specified above under "Interest Payment Period", commencing with the first Interest Payment Date specified above next succeeding the Original Issue Date and thereafter on the Interest Payment Dates as specified above, and on the Maturity Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest set forth above (whether or not a Business Day), next preceding such Interest Payment Date; PROVIDED, HOWEVER, that interest payable at Maturity shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice thereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by

such exchange, all as more fully provided in said Indenture. Payment of the principal, premium, if any, and interest on this Security will be made at the principal corporate trust office of the Trustee in the Borough of Manhattan, The City of New York, or such other office or agency of the Company as may be designated by it for such purpose in the Borough of Manhattan, The City of New York (the "Paying Agent"), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company payment of interest (except at Maturity) may be made by United States dollar check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register. Payment of the principal, premium, if any, and interest on this Security due at Maturity will be made in immediately available funds upon surrender of this Security to the Paying Agent; PROVIDED that this Security is presented to the Paying Agent in time for the Paying Agent to make such payment in accordance with its normal procedures. "Maturity" shall mean the date on which the principal of this Security or an installment of principal becomes due, whether on the Maturity Date specified above, upon redemption or otherwise.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SECURITY SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized officer, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: ASHLAND INC.

By -----
Senior Vice President

(Seal) Attest: -----
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the Series designated therein referred to in the within-mentioned Indenture.

Dated:

CITIBANK, N.A.
As Trustee

By -----
Authorized Officer

[Form of Reverse]

ASHLAND INC.
MEDIUM-NOTE, SERIES G

(Floating Rate)

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990 (herein called the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

This Security may not be redeemed prior to the Redemption Date set forth on the face hereof. If no Redemption Date is so set forth, this Security is not redeemable prior to the Maturity Date. On or after the Redemption Date set forth on the face hereof, this Security is redeemable in whole or in part in increments of U.S. \$1,000 at the option of the Company at a redemption price equal to 100% of the principal amount to be redeemed together with interest thereon to the date of redemption.

Notice of redemption will be given by mail to Holders of Securities, not more than 60 nor less than 30 days prior to the date fixed for redemption, all as provided in the Indenture.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

The Securities of this series will not have a sinking fund unless otherwise specified in the applicable pricing supplement.

Commencing with the first Interest Reset Date specified on the face hereof following the Original Issue Date, the rate at which interest on this Security is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as shown on the face hereof under "Interest Rate Reset Period"; PROVIDED, HOWEVER, that the interest rate in effect hereon for the 10 days immediately prior to the Maturity hereof, shall be that in effect on the 10th day preceding the Maturity hereof. Each such adjusted rate shall be applicable on and after the Interest Reset Date to which it relates, to but not including the next succeeding Interest Reset Date or until Maturity, as the case may be. If any Interest Reset Date specified on the face hereof would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if (i) the rate of interest on the Security shall be determined in accordance with the provisions of the heading "Determination of LIBOR" below, and (ii) such London Banking Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding London Banking Day. "Business Day" means any day, other than a Saturday or Sunday, that meets each of the following applicable requirements: the day is (a) not a day on which banking institutions are authorized or required by law or regulation to be closed in The City of New York, (b) if the Note is denominated in a Specified Currency other than the European Currency Unit as defined and revised from time to time by the Council of the European Communities ("ECU") or United States dollars, not a day on which banking institutions are authorized or required by law or regulation to close in the financial center of the country issuing the Specified Currency, (c) if the Note is denominated in ECU, any day that is designated as an ECU settlement day by the ECU Banking Association in Paris or otherwise generally regarded in the ECU interbank market as a day on which payments in ECU are made, and (d) with respect to LIBOR Notes, a London Banking Day. "London Banking Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market. Subject to applicable provisions of law and except as specified herein, on each Interest Reset Date, the rate of interest on this Security shall be the rate determined in accordance with the provisions of the applicable heading below.

The interest rate on this Security will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general applicability.

DETERMINATION OF COMMERCIAL PAPER RATE. The interest rate payable with respect to this Security shall be

calculated by the Calculation Agent with reference to the Commercial Paper Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Commercial Paper Rate" means, with respect to each Interest Determination Date specified on the face hereof, the Money Market Yield (calculated as described below) of the rate on such date for commercial paper having the Index Maturity specified on the face hereof as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "Commercial Paper". In the event that such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate on such Interest Determination Date for commercial paper having the Index Maturity specified on the face hereof as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities" ("Composite Quotations") under the heading "Commercial Paper". If such rate is not yet published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Commercial Paper Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean (rounded to the next higher one hundred thousandth of a percentage point) of the offered rates of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent as of 11:00 A.M., New York City time, on such Interest Determination Date for commercial paper having the Index Maturity specified on the face hereof placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on such Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage rounded to the next higher one hundred thousandth of a percentage point) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the per annum rate for commercial paper quoted on a bank-discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

DETERMINATION OF PRIME RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the Prime Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Prime Rate" means, with respect to each Interest Determination Date specified on the face hereof, the arithmetic mean (rounded to the next higher one hundred thousandth of a percentage point) of the prime rates quoted on the basis of the actual number of days in the year divided by 365 or 366 days, as the case may be, as of the close of business on such Interest Determination Date by three major money center banks in The City of New York selected by the Calculation Agent. If fewer than three such quotations are provided, the Prime Rate shall be determined on the basis of the rates furnished in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof having total equity capital of at least U.S. \$500 million and being subject to supervision or examination by Federal or state authority, selected by the Calculation Agent to provide such rate or rates; PROVIDED, HOWEVER, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate will be the Prime Rate in effect on such Interest Determination Date.

DETERMINATION OF LIBOR. The interest rate payable with respect to this Security shall be calculated with reference to LIBOR and the Spread or Spread Multiplier, if any, specified on the face hereof. "LIBOR" will be determined with respect to each Interest Determination Date specified on the face hereof by the Calculation Agent in accordance with the following provisions: On each LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rate for deposits in U.S. dollars having the Index Maturity specified in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date, which appears on the Telerate Page 3750 as of 11:00 A.M., London time, on that LIBOR Interest Determination Date. If such rate does not so appear on the Telerate page 3750, the rate in respect of such LIBOR Interest Determination Date will be determined on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market, selected by the Calculation Agent at approximately 11:00 A.M., London time, on the LIBOR Interest Determination Date next preceding the relevant Interest Reset Date, to prime banks in the London

interbank market for a period of the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than \$1,000,000 that is representative for a single transaction in such market at such time. In such case, the Calculation Agent will request the principal London office of each of the aforesaid major banks to provide a quotation of such rate. If at least two such quotations are provided in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the quotations, and, if fewer than two quotations are provided as requested in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the rates quoted by three major banks in The City of New York, selected by the Calculation Agent (which may include one or more of the Agents or their affiliates), at approximately 11:00 A.M., New York City time, on that LIBOR Interest Determination Date for loans in U.S. dollars to leading European banks for a period of the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than \$1,000,000 that is representative for a single transaction in such market at such time; PROVIDED, HOWEVER, if the aforesaid rate cannot be determined by the Calculation Agent, LIBOR in respect of such LIBOR Interest Determination Date will be LIBOR then in effect on such LIBOR Interest Determination Date.

"Telerate Page 3750" means the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices relating to LIBOR).

DETERMINATION OF TREASURY RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the Treasury Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Treasury Rate" means, with respect to each Interest Determination Date specified on the face hereof, the rate for the most recent auction of direct obligations of the United States ("Treasury bills") having the Index Maturity specified on the face hereof as published in H.15(519) under the heading "U.S. Government Securities--Treasury Bills--Auction Average (Investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Treasury Rate will be the auction average rate, expressed as a Bond Equivalent Yield (calculated as described below), for such auction as otherwise announced by the United States Department of the Treasury. If the results of the auction of Treasury bills having the Index Maturity specified on the face hereof are not published or announced as provided above by 3:00 P.M., New York City time,

on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity, expressed as a Bond Equivalent Yield, of the arithmetic mean of the secondary market bid rates as of approximately 3:30 P.M., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate with respect to such Interest Determination Date will be the Treasury Rate in effect on such Interest Determination Date.

"Bond Equivalent Yield" shall be a yield (expressed as a percentage rounded to the next higher one-hundred thousandth of a percentage point) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the per annum rate for Treasury bills, quoted on a bank-discount basis and expressed as a decimal; "N" refers to the actual number of days in the year for which interest is being calculated; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

DETERMINATION OF FEDERAL FUNDS RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the Federal Funds Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Federal Funds Rate" means, with respect to each Interest Determination Date specified on the face hereof, the rate on that day for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Federal Funds Rate for such Interest Determination Date will be the rate on such Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/ Effective Rate". If such rate is not yet published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Federal Funds Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean (rounded to the nearest one-hundred thousandth of a percentage point) of the rates prior to 9:00 A.M., New York City time, on such Interest

Determination Date for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; PROVIDED, HOWEVER, that if the brokers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate with respect to such Interest Determination Date will be the Federal Funds Rate in effect on such Interest Determination Date.

DETERMINATION OF CD RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the CD Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "CD Rate" means, with respect to each Interest Determination Date, the rate on such date for negotiable certificates of deposit having the Index Maturity specified on the face hereof as published in H.15(519) under the heading "CDs (Secondary Market)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the CD Rate will be the rate on such Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified on the face hereof as published in Composite Quotations under the heading "Certificates of Deposit". If such rate is not published by 3:00 P.M., New York City time, on such Calculation Date, then the CD Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean (each as rounded to the nearest one-hundred thousandth of a percentage point) of the secondary market offered rates as of the opening of business, New York City time, on such Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity specified on the face hereof in a denomination of U.S. \$5,000,000; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate with respect to such Interest Determination Date will be the CD Rate in effect on such Interest Determination Date.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, shown on the face hereof. The Calculation Agent shall calculate the interest rate on this Security in accordance with the foregoing on or before each Calculation Date and shall promptly thereafter notify the Company and the Trustee of such

interest rate. Any such calculation by the Calculation Agent shall be conclusive and binding on the Company, the Trustee and the Holder of this Security, absent manifest error.

The Calculation Agent will, upon the request of the Holder of this Security, provide to such Holder the interest rate hereon then in effect and, if determined, the interest rate which will become effective as of the next Interest Reset Date.

If any Interest Payment Date specified on the face hereof would otherwise be a day that is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day, except that if (i) the rate of interest on this Security shall be determined in accordance with the provisions of the heading "Determination of LIBOR" above and (ii) such London Banking Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding London Banking Day.

The Interest Determination Date pertaining to an Interest Reset Date if the rate of interest on the Security shall be determined in accordance with the provisions of the headings "Determination of Commercial Paper Rate", "Determination of Prime Rate", "Determination of Federal Funds Rate" or "Determination of CD Rate" above will be the second Business Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date if the rate of interest on this Security shall be determined in accordance with the provisions of the heading "Determination of LIBOR" above will be the second London Banking Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date if the rate of interest on the Security shall be determined in accordance with the provisions of the heading "Determination of Treasury Rate" above (the "Treasury Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date shall instead be the first Business Day immediately following such auction date.

The Calculation Date, if applicable, pertaining to any Interest Determination Date shall be the tenth calendar day after such Interest Determination Date, or if any such day is not a Business Day, the next succeeding Business Day.

Interest payments for this Security will include interest accrued to but excluding the Interest Payment Date; PROVIDED, HOWEVER, that if the interest rate with respect to this Security is reset daily or weekly, interest payable on any Interest Payment Date, other than interest payable on any date on which principal hereof is payable, will include interest accrued from but excluding the second preceding Regular Record Date, or from and including the date of issue, if no interest has been paid with respect to such Note, to and including the next preceding Regular Record Date. Accrued interest hereon from and including the Original Issue Date, or from but excluding the last date to which interest hereon has been paid or duly provided for, as the case may be, will be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factor calculated for each day from and including the Original Issue Date, or from but excluding the last date to which interest shall have been paid or duly provided for, as the case may be, to and including the date for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) for each such day will be computed by dividing the interest rate (expressed as a decimal rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) applicable to such day by 360, in the case of the Commercial Paper Rate, LIBOR, the Federal Funds Rate or the CD Rate, or by the actual number of days in the year, in the case of the Treasury Rate or the Prime Rate. The interest factor for Floating Rate Notes for which two or more interest rate formulae are applicable will be calculated in the same manner as if only the lowest, highest or average of, as the case may be, such interest rate formulae applied.

Subject to a number of important qualifications and exceptions set forth in the Indenture, the Indenture provides that neither the Company nor any Subsidiary (as defined in the Indenture) will (i) issue, assume or guarantee any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed secured by a mortgage, lien, pledge or other encumbrance upon any real or personal property located in the continental United States of America without effectively providing that the Securities will be secured equally and ratably with (or, at the option of the Company, prior to) such indebtedness so long as such indebtedness shall

be so secured or (ii) enter into any Sale and Lease-Back Transactions (as defined in the Indenture).

The Indenture also provides that the Company at its option (a) will be Discharged (as such term is defined in the Indenture) from any and all obligations in respect of the Securities (except for certain obligations to register the transfer or exchange of Securities, replace stolen, lost or mutilated securities, maintain paying agencies and hold moneys for payment in trust) or (b) need not comply with certain restrictive covenants of the Indenture, if there is deposited with the Trustee, in the case of Securities denominated in U.S. dollars, U.S. Government Obligations (as defined in the Indenture) or, in the case of Securities denominated in a foreign currency, Foreign Government Securities (as defined in the Indenture), which through the payment of interest thereon and principal thereof in accordance with their terms will provide money or a combination of money and U.S. Government Obligations or Foreign Government Securities, as the case may be, in an amount sufficient to pay in the currency, currencies or currency unit or units in which the Securities are payable, all the principal, premium, if any, and interest on, the Securities on the dates such payments are in accordance with the terms of the Securities.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration or transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Security of this series will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to this series, the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Securities of this series a direction inconsistent with such request and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal, premium, if any, or interest on this Security on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company which is absolute and unconditional, to pay the principal, premium, if any, and interest on this Security at the times, places and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the corporate trust office of the Trustee or such other office or agency as may be designated by the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this Series and of like tenor, of authorized denominations and with like terms and conditions and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form, without coupons, in denominations of \$1,000 and any integral multiple of \$1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination and with like terms and conditions, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

REGISTERED

REGISTERED

ASHLAND INC.

MEDIUM-TERM NOTE, SERIES G
 DUE NINE MONTHS OR MORE FROM DATE OF ISSUE
 (FIXED RATE)

U.S.\$

NO.

ORIGINAL ISSUE DATE: INTEREST RATE: CUSIP MATURITY DATE:
 REDEMPTION DATE: INDEXED NOTES: / / YES (see attached) / / NO
 OTHER PROVISIONS:

ASHLAND INC., a corporation duly organized and existing under the laws of Kentucky (herein called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to

, or registered assigns, the principal sum of

U.S. DOLLARS, on the Maturity Date specified above, and to pay interest thereon from the Original Issue Date specified above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding the relevant Interest Payment Date, semiannually in arrears on June 15 and December 15 in each year, unless otherwise indicated in the applicable Pricing Supplement, commencing on the first such date after the Original Issue Date set forth above, at the rate set forth on the face hereof, until the principal hereof is paid or made available for payment; PROVIDED, HOWEVER, that if the Original Issue Date set forth above is after a Regular Record Date referred to below and before the related Interest Payment Date, the first payment of interest will be made on the Interest Payment Date following the next succeeding Regular Record Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than at Maturity) will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), unless otherwise indicated in the applicable Pricing Supplement, as the case may be, next preceding such Interest Payment Date; PROVIDED, HOWEVER, that interest payable at

Maturity shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the Payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal, premium, if any, and interest on this Security will be made to the Depository, or its nominee, as Holder thereof, in accordance with arrangements then in effect between the Trustee and the Depository, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company, payment of interest (except at Maturity) may be made by United States dollar check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register (which in the case of Book-Entry Notes, will be a nominee of the Depository). Payment of the principal, premium, if any, and interest on this Security due at Maturity will be made in immediately available funds upon surrender of this Security to the Paying Agent; PROVIDED that this Security is presented to the Paying Agent in time for the Paying Agent to make such payment in accordance with its normal procedures. "Maturity" shall mean the date on which the principal of this Security or an installment of principal becomes due, whether on the Maturity Date specified above, upon redemption or otherwise.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SECURITY SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized officer, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: ASHLAND INC.

By _____
Senior Vice President

[Seal] Attest:

Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the Series designated therein referred to in the within-mentioned Indenture.

CITIBANK, N.A.
As Trustee

By _____
Authorized Officer

[Form of Reverse]

ASHLAND INC.
MEDIUM-TERM NOTE, SERIES G

(Fixed Rate)

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990 (herein called the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

This Security may not be redeemed prior to the Redemption Date set forth on the face hereof. If no Redemption Date is so set forth, this Security is not redeemable prior to the Maturity Date. On or after the Redemption Date set forth on the face hereof, this Security is redeemable in whole or in part in increments of U.S. \$1,000 at the option of the Company at a redemption price equal to 100% of the principal amount to be redeemed together with interest thereon to the date of redemption.

Notice of redemption will be given by mail to Holders of Securities, not more than 60 nor less than 30 days prior to the date fixed for redemption, all as provided in the Indenture.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

The Securities of this series will not have a sinking fund unless otherwise specified in the applicable pricing supplement.

Subject to a number of important qualifications and exceptions set forth in the Indenture, the Indenture provides that neither the Company nor any Subsidiary (as defined in the Indenture) will (i) issue, assume or guarantee any notes, bonds,

debentures or other similar evidences of indebtedness for money borrowed secured by a mortgage, lien, pledge or other encumbrance upon any real or personal property located in the continental United States of America without effectively providing that the Securities will be secured equally and ratably with (or, at the option of the Company, prior to) such indebtedness so long as such indebtedness shall be so secured or (ii) enter into any Sale and Lease-Back Transactions (as defined in the Indenture).

The Indenture also provides that the Company at its option (a) will be Discharged (as such term is defined in the Indenture) from any and all obligations in respect of the Securities (except for certain obligations to register the transfer or exchange of Securities, replace stolen, lost or mutilated Securities, maintain paying agencies and hold moneys for payment in trust) or (b) need not comply with certain restrictive covenants of the Indenture, if there is deposited with the Trustee, in the case of Securities denominated in U.S. dollars, U.S. Government Obligations (as defined in the Indenture) or, in the case of Securities denominated in a foreign currency, Foreign Government Securities (as defined in the Indenture), which through the payment of interest thereon and principal thereof in accordance with their terms will provide money or a combination of money and U.S. Government Obligations or Foreign Government Securities, as the case may be, in an amount sufficient to pay in the currency, currencies or currency unit or units in which the Securities are payable all the principal, premium, if any, and interest on, the Securities on the dates such payments are due in accordance with the terms of the Securities.

Interest payments for this Security will include interest accrued to but excluding the Interest Payment Date. Interest payments for this Security shall be computed and paid on the basis of a 360-day year of twelve 30-day months.

The interest rate on this Security will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general applicability.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66-2/3% in principal amount of the Securities at the time outstanding of each series to be affected.

The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any of such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Security of this series will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to this series, the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Securities of this series a direction inconsistent with such request and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal, premium, if any, or interest on this Security on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal, premium, if any, and interest on this Security at the times, places and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the corporate trust office of the Trustee or such other office or agency as may be designated by the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and with like terms and conditions and for the same aggregate

principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form, without coupons, in denominations of \$1,000 and any integral multiple of \$1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination and with like terms and conditions, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-as tenants	UNIF GIFT MIN ACT-.....Custodian.....
in common	(Cust) (Minor)
TEN ENT-as tenants	Under Uniform Gifts to Minors Act
by the entireties	
JT TEN-as joint tenants
with right of	(State)
survivorship and	
not as tenants in common	

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

Please Insert Social Security or Other Identifying Number of Assignee

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

the within Security and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney

to transfer said Security on the books of the Company, with full power of substitution in the premises.

Dated: _____
Signature

[Form of Global Floating Rate Registered Security
in connection with Book-Entry Notes--United States]

[Form of Face]

NOTE NUMBER	AGENT'S NAME			

	ASHLAND INC.			
PRINCIPAL AMOUNT	SETTLEMENT DATE	TRADE DATE		

U.S.\$	(ORIGINAL ISSUE DATE)			

MATURITY DATE	TRUSTEE'S CUST. NO.	INTEREST RATE	TAXPAYER ID OR SOC. SEC. NO. OF PURCHASER	TRANSFERRED

NAME AND ADDRESS OF REGISTERED OWNER			MEDIUM-TERM NOTE PROGRAM	
			CITIBANK, N.A. TRUSTEE	

CUSTOMER'S COPY	RETAIN FOR TAX PURPOSES	THE TIME OF THE TRANSACTION WILL BE FURNISHED UPON REQUEST OF THE CUSTOMER	PLEASE SIGN AND RETURN ENCLOSED RECEIPT	SEE REVERSE SIDE

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE AND CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED

REGISTERED

ASHLAND INC.

MEDIUM-TERM NOTE, SERIES G
 DUE NINE MONTHS OR MORE FROM DATE OF ISSUE
 (FLOATING RATE)

U.S.\$

NO. ORIGINAL ISSUE DATE: INITIAL INTEREST RATE: MATURITY DATE:
 REDEMPTION DATE:

CALCULATION AGENT: INDEX MATURITY: SPREAD: +/-
 - 1 MONTH SPREAD MULTIPLIER %
 - 3 MONTHS
 - 6 MONTHS
 - 1 YEAR

INTEREST RATE BASIS: / / COMMERCIAL / / LIBOR / / TREASURY / / PRIME
 PAPER RATE RATE RATE
 / / FEDERAL FUNDS / / CD RATE
 RATE

MAXIMUM INTEREST RATE: % INTEREST PAYMENT PERIOD:
 (monthly, quarterly,
 semi-annually or annually)

MINIMUM INTEREST RATE: % INTEREST RATE RESET PERIOD:
 (daily, weekly,
 monthly, quarterly,
 semi-annually or
 annually)

INTEREST PAYMENT DATES: INTEREST RESET DATES:

REGULAR RECORD INDEXED NOTES: / / YES (see attached) / / NO
 DATES:

OTHER PROVISIONS:

ASHLAND INC., a corporation duly organized and existing under the laws
 of Kentucky (herein called the "Company" which term includes any successor
 corporation under the Indenture referred to on the reverse hereof), for value
 received, hereby promises to pay to

, or registered assigns, the principal sum of

U.S. DOLLARS on the Maturity Date specified above, and to pay interest thereon at a rate per annum equal to the Initial Interest Rate specified above until the first Interest Reset Date specified above following the Original Issue Date specified above and thereafter at a rate determined in accordance with the provisions on the reverse hereof under the heading "Determination of Commercial Paper Rate", "Determination of Prime Rate", "Determination of LIBOR", "Determination of Treasury Rate", "Determination of Federal Funds Rate" or "Determination of CD Rate", depending upon whether the Interest Rate Basis specified above is the Commercial Paper Rate, Prime Rate, LIBOR, Treasury Rate, Federal Funds Rate or CD Rate, which rate may be adjusted by adding or subtracting the Spread or multiplying by the Spread Multiplier (as such terms are defined below) depending on whether a Spread or Spread Multiplier is designated above, until the principal hereof is paid or duly made available for payment. In addition, a Floating Rate note may bear interest at the lowest or highest or average of two or more interest rate formulae. The "Spread", if any, is the number of basis points designated above, and the "Spread Multiplier", if any, is the percentage designated above. The Company will pay interest monthly, quarterly, semi-annually or annually as specified above under "Interest Payment Period", commencing with the first Interest Payment Date specified above next succeeding the Original Issue Date and thereafter on the Interest Payment Dates as specified above, and on the Maturity Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest set forth above (whether or not a Business Day), next preceding such Interest Payment Date; PROVIDED, HOWEVER, that interest payable at Maturity shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice thereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series

may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture. Payment of the principal, premium, if any, and interest on this Security will be made to the Depository, or its nominee, as Holder thereof, in accordance with arrangements then in effect between the Trustee and the Depository, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company payment of interest (except at maturity) may be made by United States dollar check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register (which, in the case of Book-Entry Notes, will be a nominee of the Depository). Payment of the principal, premium, if any, and interest on this Security due at Maturity will be made in immediately available funds upon surrender of this Security to the Paying Agent; PROVIDED that this Security is presented to the Paying Agent in time for the Paying Agent to make such payment in accordance with its normal procedures. "Maturity" shall mean the date on which the principal of this Security or an installment of principal becomes due, whether on the Maturity Date specified above, upon redemption or otherwise.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SECURITY SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized officer, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: ASHLAND INC.
By _____
Senior Vice President

[Seal] Attest:

Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the Series designated therein referred to in the within-mentioned Indenture.

Dated:

CITIBANK, N.A.
As Trustee

By -----
Authorized Officer

[Form of Reverse]

ASHLAND INC.

MEDIUM-TERM, SERIES G

(Floating Rate)

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990 (herein called the "Indenture"), between the Company and Citibank, N.A., as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof.

This Security may not be redeemed prior to the Redemption Date set forth on the face hereof. If no Redemption Date is so set forth, this Security is not redeemable prior to the Maturity Date. On or after the Redemption Date set forth on the face hereof, this Security is redeemable in whole or in part in increments of U.S. \$1,000 at the option of the Company at a redemption price equal to 100% of the principal amount to be redeemed together with interest thereon to the date of redemption.

Notice of redemption will be given by mail to Holders of Securities, not more than 60 nor less than 30 days prior to the date fixed for redemption, all as provided in the Indenture.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

The Securities of this series will not have a sinking fund unless otherwise specified in the applicable pricing supplement.

Commencing with the first Interest Reset Date specified on the face hereof following the Original Issue Date, the rate at which interest on this Security is payable shall be adjusted daily, weekly, monthly, quarterly, semi-annually or annually as shown on the face hereof under "Interest Rate Reset Period"; PROVIDED, HOWEVER, that the interest rate in effect hereon for the 10 days immediately prior to the Maturity hereof, shall be that in effect on the 10th day preceding the Maturity hereof. Each such adjusted rate shall be applicable on and after the Interest Reset Date to which it relates, to but not including the next succeeding Interest Reset Date or until Maturity, as the case may be. If any Interest Reset Date specified on the face hereof would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if (i) the rate of interest on the Security shall be determined in accordance with the provisions of the heading "Determination of LIBOR" below, and (ii) such London Banking Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding London Banking Day. "Business Day" means any day, other than a Saturday or Sunday, that meets each of the following applicable requirements: the day is (a) not a day on which banking institutions are authorized or required by law or regulation to be closed in The City of New York, (b) if the Note is denominated in a Specified Currency other than the European Currency Unit as defined and revised from time to time by the Council of the European Communities ("ECU") or United States dollars, not a day on which banking institutions are authorized or required by law or regulation to close in the financial center of the country issuing the Specified Currency, (c) if the Note is denominated in ECU, any day that is designated as an ECU settlement day by the ECU Banking Association in Paris or otherwise generally regarded in the ECU interbank market as a day on which payments in ECU are made, and (d) with respect to LIBOR Notes, a London Banking Day. "London Banking Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market. Subject to applicable provisions of law and except as specified herein, on each Interest Reset Date, the rate of interest on this Security shall be the rate determined in accordance with the provisions of the applicable heading below.

The interest rate on this Security will in no event be higher than the maximum rate permitted by New York law as

the same may be modified by United States law of general applicability.

DETERMINATION OF COMMERCIAL PAPER RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the Commercial Paper Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Commercial Paper Rate" means, with respect to each Interest Determination Date specified on the face hereof, the Money Market Yield (calculated as described below) of the rate on such date for commercial paper having the Index Maturity specified on the face hereof as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "Commercial Paper". In the event that such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate on such Interest Determination Date for commercial paper having the Index Maturity specified on the face hereof as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 P.M. Quotations for U.S. Government Securities" ("Composite Quotations") under the heading "Commercial Paper". If such rate is not yet published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Commercial Paper Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean (rounded to the next higher one-hundred thousandth of a percentage point) of the offered rates of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent as of 11:00 A.M., New York City time, on such Interest Determination Date for commercial paper having the Index Maturity specified on the face hereof placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate will be the Commercial Paper Rate in effect on such Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage rounded to the next higher one-hundred thousandth of a percentage point) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the per annum rate for commercial paper quoted on a bank-discount basis and expressed as a decimal; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

DETERMINATION OF PRIME RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the Prime Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Prime Rate" means, with respect to each Interest Determination Date specified on the face hereof, the arithmetic mean (rounded to the next higher one-hundred thousandth of a percentage point) of the prime rates quoted on the basis of the actual number of days in the year divided by 365 or 366 days, as the case may be, as of the close of business on such Interest Determination Date by three major money center banks in The City of New York selected by the Calculation Agent. If fewer than three such quotations are provided, the Prime Rate shall be determined on the basis of the rates furnished in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, having total equity capital of at least U.S. \$500 million and being subject to supervision or examination by Federal or state authority, selected by the Calculation Agent to provide such rate or rates; PROVIDED, HOWEVER, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate will be the Prime Rate in effect on such Interest Determination Date.

DETERMINATION OF LIBOR. The interest rate payable with respect to this Security shall be calculated with reference to LIBOR and the Spread or Spread Multiplier, if any, specified on the face hereof. "LIBOR" will be determined with respect to each Interest Determination Date specified on the face hereof by the Calculation Agent in accordance with the following provisions: On each LIBOR Interest Determination Date, LIBOR will be determined on the basis of the offered rate for deposits in U.S. dollars having the Index Maturity specified in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date, which appears on the Telerate Page 3750 as of 11:00 A.M., London time, on that LIBOR Interest Determination Date. If such rate does not so appear on the Telerate page 3750, the rate in respect of such LIBOR Interest Determination Date will be determined on the basis of the rates at which

deposits in U.S. dollars are offered by four major banks in the London interbank market, selected by the Calculation Agent at approximately 11:00 A.M., London time, on the LIBOR Interest Determination Date next preceding the relevant Interest Reset Date, to prime banks in the London interbank market for a period of the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than \$1,000,000 that is representative for a single transaction in such market at such time. In such case, the Calculation Agent will request the principal London office of each of the aforesaid major banks to provide a quotation of such rate. If at least two such quotations are provided in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the quotations, and, if fewer than two quotations are provided as requested in respect of such LIBOR Interest Determination Date, the rate for that Interest Reset Date will be the arithmetic mean of the rates quoted by three major banks in The City of New York, selected by the Calculation Agent (which may include one or more of the Agents or their affiliates), at approximately 11:00 A.M., New York City time, on that LIBOR Interest Determination Date for loans in U.S. dollars to leading European banks for a period of the Index Maturity commencing on that Interest Reset Date and in a principal amount equal to an amount not less than \$1,000,000 that is representative for a single transaction in such market at such time; PROVIDED, HOWEVER, if the aforesaid rate cannot be determined by the Calculation Agent, LIBOR in respect to such LIBOR Interest Determination Date will be LIBOR then in effect on such LIBOR Interest Determination Date.

"Telerate Page 3750" means the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices relating to LIBOR).

DETERMINATION OF TREASURY RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the Treasury Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Treasury Rate" means, with respect to each Interest Determination Date specified on the face hereof, the rate for the most recent auction of direct obligations of the United States ("Treasury bills") having the Index Maturity specified on the face hereof as published in H.15(519) under the heading "U.S. Government Securities--Treasury Bills--Auction Average (Investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Treasury

Rate will be the auction average rate, expressed as a Bond Equivalent Yield (calculated as described below), for such auction as otherwise announced by the United States Department of the Treasury. If the results of the auction of Treasury bills having the Index maturity specified on the face hereof are not published or announced as provided above by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity, expressed as a Bond Equivalent Yield, of the arithmetic mean of the secondary market bid rates as of approximately 3:30 P.M., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate with respect to such Interest Determination Date will be the Treasury Rate in effect on such Interest Determination Date.

"Bond Equivalent Yield" shall be a yield (expressed as a percentage rounded to the next higher one-hundred thousandth of a percentage point) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the per annum rate for Treasury bills, quoted on a bank-discount basis and expressed as a decimal; "N" refers to the actual number of days in the year for which interest is being calculated; and "M" refers to the actual number of days in the interest period for which interest is being calculated.

DETERMINATION OF FEDERAL FUNDS RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the Federal Funds Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "Federal Funds Rate" means, with respect to each Interest Determination Date specified on the face hereof, the rate on that day for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Federal Funds Rate for such Interest Determination Date will be the rate on such Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/ Effective Rate".

If such rate is not yet published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Federal Funds Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean (rounded to the nearest one-hundred thousandth of a percentage point) of the rates prior to 9:00 A.M., New York City time, on such Interest Determination Date for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; PROVIDED, HOWEVER, that if the brokers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate with respect to such Interest Determination Date will be the Federal Funds Rate in effect on such Interest Determination Date.

DETERMINATION OF CD RATE. The interest rate payable with respect to this Security shall be calculated by the Calculation Agent with reference to the CD Rate and the Spread or Spread Multiplier, if any, specified on the face hereof. "CD Rate" means, with respect to each Interest Determination Date, the rate on such date for negotiable certificates of deposit having the Index Maturity specified on the face hereof as published in H.15(519) under the heading "CDs (Secondary Market)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the CD Rate will be the rate on such Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified on the face hereof as published in Composite Quotations under the heading "Certificates of Deposit". If such rate is not published by 3:00 P.M., New York City time, on such Calculation Date, then the CD Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean (each as rounded to the nearest one-hundred thousandth of a percentage point) of the secondary market offered rates as of the opening of business, New York City time, on such Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity specified on the face hereof in a denomination of U.S. \$5,000,000; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate with respect to such Interest Determination Date will be the CD Rate in effect on such Interest Determination Date.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, shown on the face hereof. The Calculation Agent shall calculate the interest rate on this Security in accordance with the foregoing on or before each Calculation Date and shall promptly thereafter notify the Company and the Trustee of such interest rate. Any such calculation by the Calculation Agent shall be conclusive and binding on the Company, the Trustee and the Holder of this Security, absent manifest error.

The Calculation Agent will, upon the request of the Holder of this Security, provide to such Holder the interest rate hereon then in effect and, if determined, the interest rate which will become effective as of the next Interest Reset Date.

If any Interest Payment Date specified on the face hereof would otherwise be a day that is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day, except that if (i) the rate of interest on this Security shall be determined in accordance with the provisions of the heading "Determination of LIBOR" above and (ii) such London Banking Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding London Banking Day.

The Interest Determination Date pertaining to an Interest Reset Date if the rate of interest on the Security shall be determined in accordance with the provisions of the headings "Determination of Commercial Paper Rate", "Determination of Prime Rate", "Determination of Federal Funds Rate" or "Determination of CD Rate" above will be the second Business Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date if the rate of interest on this Security shall be determined in accordance with the provisions of the heading "Determination of LIBOR" above will be the second London Banking Day preceding such Interest Reset Date. The Interest Determination Date pertaining to an Interest Reset Date if the rate of interest on the Security shall be determined in accordance with the provisions of the heading "Determination of Treasury Rate" above (the "Treasury Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the

preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date shall instead be the first Business Day immediately following such auction date.

The Calculation Date, if applicable, pertaining to any Interest Determination Date shall be the tenth calendar day after such Interest Determination Date, or if any such day is not a Business Day, the next succeeding Business Day.

Interest payments for this Security will include interest accrued to but excluding the Interest Payment Date; PROVIDED, HOWEVER, that if the interest rate with respect to this Security is reset daily or weekly, interest payable on any Interest Payment Date, other than interest payable on any date on which principal hereof is payable, will include interest accrued from but excluding the second preceding Regular Record Date, or from and including the date of issue, if no interest has been paid with respect to such Note, to and including the next preceding Regular Record Date. Accrued interest hereon from and including the Original Issue Date, or from but excluding the last date to which interest hereon has been paid or duly provided for, as the case may be, will be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factor calculated for each day from and including the Original Issue Date, or from the last date to which interest shall have been paid or duly provided for, as the case may be, to and including the date for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) for each such day will be computed by dividing the interest rate (expressed as a decimal rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) applicable to such day by 360, in the case of the Commercial Paper Rate, LIBOR, the Federal Funds Rate or the CD Rate, or by the actual number of days in the year, in the case of the Treasury Rate or the Prime Rate. The interest factor for Floating Rate Notes for which two or more interest rate formulae are applicable will be calculated in the same manner as if only the lowest, highest or average of, as the case may be, such interest rate formulae applied.

Subject to a number of important qualifications and exceptions set forth in the Indenture, the Indenture provides

that neither the Company nor any Subsidiary (as defined in the Indenture) will (i) issue, assume or guarantee any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed secured by a mortgage, lien, pledge or other encumbrance upon any real or personal property located in the continental United States of America without effectively providing that the Securities will be secured equally and ratably with (or, at the option of the Company, prior to) such indebtedness so long as such indebtedness shall be so secured or (ii) enter into any Sale and Lease-Back Transactions (as defined in the Indenture).

The Indenture also provides that the Company at its option (a) will be Discharged (as such term is defined in the Indenture) from any and all obligations in respect of the Securities (except for certain obligations to register the transfer or exchange of Securities, replace stolen, lost or mutilated Securities, maintain paying agencies and hold moneys for payment in trust) or (b) need not comply with certain restrictive covenants of the Indenture, if there is deposited with the Trustee, in the case of Securities denominated in U.S. dollars, U.S. Government Obligations (as defined in the Indenture) or, in the case of Securities denominated in a foreign currency, Foreign Government Securities (as defined in the Indenture), which through the payment of interest thereon and principal thereof in accordance with their terms will provide money or a combination of money and U.S. Government Obligations or Foreign Government Securities, as the case may be, in an amount sufficient to pay in the currency, currencies or currency unit or units in which the Securities are payable, all the principal, premium, if any, and interest on, the Securities on the dates such payments are due in accordance with the terms of the Securities.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time

outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration or transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Security of this series will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to this series, the Holders of not less than 25% in principal amount of the Outstanding Securities of this series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, the Trustee shall not have received from the Holders of a majority in principal amount of the Outstanding Securities of this series a direction inconsistent with such request and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal, premium, if any, or interest on this Security on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this security or of the Indenture shall alter or impair the obligation of the Company which is absolute and unconditional, to pay the principal, premium, if any, and interest on this Security at the times, places and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the corporate trust office of the Trustee or such other office or agency as may be designated by the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this Series and of like tenor, of authorized denominations and with like terms

and conditions and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form, without coupons, in denominations of \$1,000 and any integral multiple of \$1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination and with like terms and conditions, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

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	
	1990	1991	1992	1993	1994	1993	1994
EARNINGS							
Net income (loss)	\$ 182	\$ 145	\$ (336)	\$ 142	\$ 197	\$ 58	\$ 35
Cumulative effect of accounting changes	-	-	268	-	-	-	-
Income taxes	81	48	(90)	58	75	27	15
Interest expense	120	125	132	124	119	29	33
Interest portion of rental expense	28	28	34	35	38	9	9
Amortization of deferred debt expense	1	1	1	2	1	-	-
Undistributed earnings of unconsolidated affiliates	(41)	(3)	(22)	(12)	(14)	8	(7)
Amounts related to significant affiliates*							
Earnings	57	6	30	(2)	27	(7)	10
Dividends	(4)	(5)	(4)	(4)	-	-	(1)
	<u>\$ 424</u>	<u>\$ 345</u>	<u>\$ 13</u>	<u>\$ 343</u>	<u>\$ 443</u>	<u>\$ 124</u>	<u>\$ 94</u>
FIXED CHARGES							
Interest expense	\$ 120	\$ 125	\$ 132	\$ 124	\$ 119	\$ 29	\$ 33
Interest portion of rental expense	28	28	34	35	38	9	9
Amortization of deferred debt expense	1	1	1	2	1	-	-
Capitalized interest	1	2	3	9	-	1	-
Fixed charges of significant affiliates*	18	20	17	16	18	4	5
	<u>\$ 168</u>	<u>\$ 176</u>	<u>\$ 187</u>	<u>\$ 186</u>	<u>\$ 176</u>	<u>\$ 43</u>	<u>\$ 47</u>
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS							
Preferred dividend requirements	\$ -	\$ -	\$ -	\$ 6	\$ 19	\$ 5	\$ 5
Ratio of pretax to net income**	-	-	-	1.41	1.38	1.45	1.43
Preferred dividends on a pretax basis	-	-	-	9	26	7	6
Fixed charges	168	176	187	186	176	43	47
	<u>\$ 168</u>	<u>\$ 176</u>	<u>\$ 187</u>	<u>\$ 195</u>	<u>\$ 202</u>	<u>\$ 50</u>	<u>\$ 53</u>
RATIO OF EARNINGS TO FIXED CHARGES	2.53	1.96	***	1.84	2.51	2.90	2.01
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	2.53	1.96	***	1.76	2.19	2.50	1.76

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

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

*** Fixed charges exceeded earnings (as defined) by \$174 million as a result of special charges and the current year impact of accounting changes.

Ernst & Young LLP

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in Post-Effective Amendment No. 1 to Registration Statement (Form S-3, No. 33-57011) and related Prospectus of Ashland Inc., and to the incorporation by reference therein of our reports dated November 2, 1994, with respect to the consolidated financial statements and schedules of Ashland Inc. (name change from Ashland Oil, Inc.) and subsidiaries, included in its Annual Report (Form 10-K) for the year ended September 30, 1994 filed with the Securities and Exchange Commission.

Ernst & Young LLP

Louisville, Kentucky
April 7, 1995