As filed with the Securities and Exchange Commission on March 19, 1998
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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 of incorporation or organization)	(I.R.S. Employer Identification No.)

1000 Ashland Drive, Russell, Kentucky 41169 (606) 329-3333
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

THOMAS L. FEAZELL, Esq.
Senior Vice President, General Counsel and Secretary
Ashland Inc.
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:
SUSAN WEBSTER, Esq.
Cravath, Swaine & Moore
825 Eighth Avenue
New York, New York 10019
(212) 474-1000

Approximate date of commencement of proposed sale to the public:
From time to time after the Registration Statement becomes effective.

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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ___

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.___

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ___

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ___

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Stock (par value $1.00 per share) and Rights attached thereto	482,575	$56.4375	$27,235,327	$8,034.42

(1) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(c) on the basis of the average of the high and low reported sale prices of the Registrant's Common Stock on the New York Stock Exchange, Inc. Composite Tape on March 13, 1998.

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.

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LEGEND INFORMATION

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 MARCH 19, 1998

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P R O S P E C T U S

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482,575 Shares

ASHLAND INC.

COMMON STOCK

(par value $1.00 per share)

The Prospectus relates to 482,575 shares (the "Shares") of common stock, par value $1.00 per share (the "Common Stock"), of Ashland Inc. ("Ashland" or the "Company"), which may be offered by Bernard A. Li, individually and as trustee of The Li Family Trust, Charles W. Hill and Walter S. Arnold (collectively, the "Selling Shareholders") from time to time. See "Selling Shareholders." The Company will not receive any of the proceeds from the sale of such shares. See "Use of Proceeds."

The Common Stock is listed on the New York Stock Exchange (the "NYSE") and the Chicago Stock Exchange (the "CHX"). The last reported sale price of the Common Stock on the NYSE on March 18, 1998 was $56.4375 per share. See "Common Stock Price Range and Dividends."

The Shares will be sold either directly by the Selling Shareholders or through underwriters, brokers, dealers or agents. At the time any particular offer of Shares is made, if and to the extent required, a supplement to this Prospectus (a "Prospectus Supplement") will set forth the specific number of Shares offered, the offering price and the other terms of the offering, including the names of any underwriters, brokers, dealers or agents involved in the offering and the compensation, if any, of such underwriters, brokers, dealers or agents. Any statement contained in this Prospectus will be deemed to be modified or superseded by any inconsistent statement contained in any Prospectus Supplement delivered herewith.

Unless this Prospectus is accompanied by a Prospectus Supplement stating otherwise, offers and sales may be made pursuant to this Prospectus only in ordinary broker's transactions made on the NYSE or CHX in transactions involving ordinary and customary brokerage commissions.

The Company will bear all expenses incurred in connection with offers and sales of the Shares pursuant to this Prospectus, except the Selling Shareholders will pay any underwriting discounts and commissions incurred in connection therewith.

As used in this Prospectus, the term "Common Stock" includes Rights to Purchase Series A Participating Cumulative Preferred Stock, the description and terms of which are set forth in a Rights Agreement dated May 15, 1996. See "Description of Common Stock - Preferred Stock Purchase Rights."

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.

The date of this Prospectus is March ____, 1998

AVAILABLE INFORMATION

The Company 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 the Company 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, Citicorp 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 the Company 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. The Company files such material with the Commission electronically. The Commission maintains a Web Site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of such site is: http://www.sec.gov.

The Company has filed with the Commission a Registration Statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and exhibits thereto. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement and related exhibits and to documents filed with the Commission. Any statements contained herein concerning the provisions of any document 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. The Registration Statement and the exhibits thereto can be inspected and copied at the public reference facilities and regional offices referred to above.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, filed with the Commission 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, 1997;

(ii) Ashland's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997;

(iii) Ashland's Current Report on Form 8-K dated December 12, 1997;

(iv) Ashland's Current Report on Form 8-K dated January 1, 1998 as amended by a Form 8-K/A filed on March 17, 1998;

(v) the description of Ashland's 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 ("Registration Statement on Form 10, as amended"); and

(vi) the description of Ashland's Rights to Purchase Series A Participating Cumulative Preferred Stock, set forth in the Registration Statement on Form 8-A dated May 16, 1996.

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 respective dates of filing of such documents. Any statement contained herein or 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 such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

THE COMPANY 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. 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's businesses are grouped into five industry segments: Chemical, Valvoline, APAC, Refining and Marketing, and Coal.

Ashland Chemical distributes industrial chemicals, solvents, thermoplastics and resins, and fiberglass materials, and manufactures and sells a wide variety of specialty chemicals and certain petrochemicals. Valvoline is a marketer of branded, packaged motor oil and automotive chemicals, antifreeze, filters, rust preventives, coolants and automotive appearance products. In addition, Valvoline is engaged in the "fast oil change" business through outlets operating under the Valvoline Instant Oil Change(R) and Valvoline Rapid Oil Change(R) names.

APAC performs contract construction work, including highway paving and repair, excavation and grading, and bridge construction, and produces asphaltic and ready-mix concrete, crushed stone and other aggregate, concrete block and certain specialized construction materials in the southern and midwestern United States.

Effective January 1, 1998, Ashland and Marathon Oil Company completed a transaction to form Marathon Ashland Petroleum LLC ("MAP"), which combined major portions of the supply, refining, marketing and transportation operations of the two companies. Marathon has a 62% interest in MAP and Ashland holds a 38% interest. MAP operates seven refineries with a total refining capacity of 930,000 barrels per day. Refined products are distributed through a retail network of 5,400 independent and company owned outlets in 20 Midwest and Southern states. Ashland will account for its investment in MAP using the equity method of accounting. However, since the transaction did not close until January 1, 1998, Ashland continued to report its 100% ownership interest in the Ashland Petroleum and SuperAmerica divisions (Ashland's Refining and Marketing segment) on a consolidated basis in its financial statements for the quarter ended December 31, 1997.

Ashland's coal operations are conducted by Arch Coal, Inc., which is 55% owned by Ashland and is publicly traded, and which produces and markets bituminous coal in Central Appalachia, the Illinois Basin and the Hanna Basin in Wyoming for sale to domestic and foreign electric utility and industrial customers.

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

All of the shares of Common Stock which are the subject of this Prospectus are being sold by the Selling Shareholders. The Company will not receive any of the proceeds from the sale of such shares.

SELLING SHAREHOLDERS

On February 2, 1998, Ashland acquired from the Selling Shareholders all of the issued and outstanding shares of common stock of EGL-1, Inc. ("EGL-1"), a California corporation, pursuant to a merger of an Ashland subsidiary with and into EGL-1. The purchase price was $25,400,154 paid in 482,575 shares of Common Stock

which are offered hereby. EGL-1 is based in Carlsbad, California and is a leading marketer in the wheel cleaner, metal polish, leather care and premium wax/polish segments. EGL-1 will operate as part of The Valvoline Company, a division of Ashland.

The number of shares offered for sale are as follows: Bernard A. Li, individually and as trustee of The Li Family Trust, 361,932 shares; Charles W. Hill, 48,257 shares; and Walter S. Arnold, 72,386 shares. The shares offered for sale as described in the preceding sentence constitute all the shares of Common Stock of Ashland owned by each of the Selling Shareholders. No Selling Shareholder owns more than 1% of the outstanding shares of Common Stock. Except for the transaction in which the Selling Shareholder acquired his, her or its Common Stock, no Selling Shareholder has had a material relationship with Ashland within the past three years.

The maximum number of shares proposed to be sold by the Selling Shareholders is the number of shares owned by them as of the date hereof.

PLAN OF DISTRIBUTION

The Selling Shareholders or their respective distributees, pledgees, donees, transferees or other successors in interest may offer Shares from time to time depending on market conditions and other factors, in one or more transactions on the NYSE or CHX or other national securities exchanges on which the Shares are traded, in the over-the-counter market or otherwise, at market prices prevailing at the time of sale, at negotiated prices or at fixed prices. The Shares may be offered in any manner permitted by law, including through underwriters, brokers, dealers or agents, and directly to one or more purchasers. Sales of Shares may involve (i) sales to underwriters who will acquire Shares for their own account and resell them in one or more transactions at fixed prices or at varying prices determined at time of sale, (ii) block transactions in which the broker or dealer so engaged will attempt to sell the Shares as agent but may position and resell a portion of the block as principal to facilitate the transaction, (iii) purchases by a broker or dealer as principal and resale by such broker or dealer for its account, (iv) an exchange distribution in accordance with the rules of any such exchange and (v) ordinary brokerage transactions and transactions in which a broker solicits purchasers. Brokers and dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Shareholders and/or purchasers of Shares for whom they may act as agent (which compensation may be in excess of customary commissions). The Selling Shareholders and any broker or dealer that participates in the distribution of Shares may be deemed to be underwriters and any commissions received by them and any profit on the resale of Shares positioned by a broker or dealer may be deemed to be underwriting discounts and commissions under the Securities Act. In the event any Selling Shareholder engages an underwriter in connection with the sale of the Shares, to the extent required, a Prospectus Supplement will be distributed, which will set forth the number of Shares being offered and the terms of the offering, including the names of the underwriters, any discounts, commissions and other items constituting compensation to underwriters, dealers or agents, the public offering price and any discounts, commissions or concessions allowed or reallowed or paid by underwriters to dealers.

Pursuant to the Registration Rights Agreement dated as of February 2, 1998 (the "Registration Rights Agreement"), by and between the Company and the Selling Shareholders, the Company will pay all registration expenses in connection with all registrations of the Shares upon the written request of any Selling Shareholder, and such Selling Shareholder will pay all underwriting discounts and commissions, if any, relating to the sale or disposition of such Selling Shareholder's Shares. The Company and the Selling Shareholders have agreed to indemnify each other against certain civil liabilities, including certain liabilities under the Securities Act.

DESCRIPTION OF COMMON STOCK

Common Stock

The authorized stock of the Company consists of 300,000,000 shares of Common Stock, and 30,000,000 shares of Preferred Stock, issuable in series. On March 1, 1998, there were 75,818,312 shares of Common Stock issued and outstanding. In addition, 500,000 shares of Preferred Stock designated as Series A Participating Cumulative Preferred Stock are reserved for issuance upon exercise of rights issued pursuant to the Rights

Agreement dated as of May 15, 1996. An aggregate of 13,823,354 additional shares of Common Stock are reserved for issuance under the Company's various stock and compensation incentive plans.

The holders of Common Stock are entitled to receive dividends as may be declared from time to time by 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 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.

The foregoing information does not purport to be a complete summary of the terms and provisions of the Common Stock and is qualified in its entirety by reference to the description of the Common Stock contained in the Company's Registration Statement on Form 10, as amended, incorporated by reference into this Prospectus, and the Company's Second Restated Articles of Incorporation, as amended (the "Articles").

Preferred Stock Purchase Rights

The Board of Directors has authorized the distribution of one Right (a "Right") for each outstanding share of Common Stock. Each Right entitles the holder thereof to buy one-one thousandth (1/1000th) of a share of Series A Participating Cumulative Preferred Stock at a price of $140.

The Rights will become exercisable upon the earlier of (a) such time as the Company learns that a person or group has acquired, or obtained the right to acquire, beneficial ownership of more than 15% of the outstanding Common Stock of the Company ("Acquiring Person"), unless provisions intended to prevent accidental triggering apply, and (b) such date, if any, as may be designated by the Board of Directors of the Company following the commencement of, or first public disclosure of an intention to commence, a tender or exchange offer for outstanding 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-one thousandth of a share of Series A Participating Cumulative Preferred Stock will be entitled to dividends and to vote on an equivalent basis with one share of Common Stock.

Rights may be redeemed at the option of the Board of Directors for $.01 per Right at any time before the earlier of such time as there is an Acquiring Person or the tenth anniversary of the date of the plan. The Board of Directors may amend the Rights at any time without shareholder approval. The Rights will expire by their terms on May 15, 2006.

Certain Provisions of Ashland's Articles

In the event of a proposed merger, 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 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 Articles incorporate in substance certain provisions of the Kentucky Business Corporation Act to require approval of the holders of a 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 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) Ashland's By-laws and certain provisions of the 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.

LEGAL MATTERS

Certain legal matters in connection with the Common Stock offered hereby will be passed upon for the Company by Thomas L. Feazell, Esq., Senior Vice President, General Counsel and Secretary of the Company. Mr. Feazell owns beneficially 127,394 shares of Common Stock.

EXPERTS

The consolidated financial statements and schedule of the Company appearing or incorporated by reference in the Company's Annual Report on Form 10-K for the year ended September 30, 1997, 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 schedule are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The expenses in connection with the issuance and distribution of the Common Stock being registered, other than any underwriting discounts, concessions or commissions, are:

Filing Fee for Registration Statement.....	$ 8,034.42
Legal Fees and Expenses.....	10,000.00
Accounting Fees and Expenses.....	15,000.00
Stock Exchange Listing Fees.....	17,250.00
Miscellaneous.....	3,000.00
Total.....	$53,284.42

All of the above amounts, other than the SEC filing fee, are estimates only. All of the above expenses will be paid by the Company. The Selling Shareholders will pay their own underwriting discounts, concessions and commissions.

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 the Articles, its By-laws, as amended, and by contract rather than to have such indemnification governed by the statutory provisions.

Article X of the Registrant's 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 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:

Exhibit Number	Description of Exhibit
2.1	Agreement of Merger and Plan of Reorganization between the Company and the Selling Shareholders.

3.1	Second Restated Articles of Incorporation of Ashland, as amended to January 30, 1998 (incorporated by reference to Exhibit 3 to Ashland's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997 (File No. 1-2918)).
3.2	By-laws of the Registrant, as amended (incorporated by reference to Exhibit 3.2 to Ashland's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 (File No. 1-2918)).
4.1	Rights Agreement dated as of May 16, 1996, between the Company and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4(a) of Ashland's Form 8-A filed with the Commission on May 16, 1996).
4.2	Registration Rights Agreement between the Company and the Selling Shareholders.
5	Opinion of Thomas L. Feazell, Esq.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Thomas L. Feazell, Esq. (included as part of Exhibit 5).
23.3	Consent of Price Waterhouse LLP.
24	Power of Attorney, including resolutions of the Board of Directors.

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 with or furnished to the Commission 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) That, 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 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 therein, 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 described under Item 15 above, 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 against the Registrant 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.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Russell and Commonwealth of Kentucky on March 19, 1998.

ASHLAND INC.

By: /s/ Thomas L. Feazell

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

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed below by the following persons in the capacities indicated on March 19, 1998.

Signature	Title
Paul W. Chellgren*	Chairman of the Board and Chief Executive Officer
J. Marvin Quin*	Senior Vice President and Chief Financial Officer
Kenneth L. Aulen*	Administrative Vice President, Controller and Principal Accounting Officer
Samuel C. Butler*	Director
Frank C. Carlucci*	Director
James B. Farley*	Director
Mannie L. Jackson*	Director
Patrick F. Noonan*	Director
Jane C. Pfeiffer*	Director
Michael D. Rose*	Director
William L. Rouse, Jr.*	Director

* By: /s/ Thomas L. Feazell

Thomas L. Feazell
Attorney-in-fact

March 19, 1998

* Original powers of attorney authorizing Paul W. Chellgren, Thomas

L. Feazell, 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 this Registration Statement.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement of Merger and Plan of Reorganization between the Company and the Selling Shareholders.
3.1	Second Restated Articles of Incorporation of Ashland, as amended to January 30, 1998 (incorporated by reference to Exhibit 3 to Ashland's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997 (File No. 1-2918)).
3.2	By-laws of the Registrant, as amended (incorporated by reference to Exhibit 3.2 to Ashland's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 (File No. 1-2918)).
4.1	Rights Agreement dated as of May 16, 1996, between the Company and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4(a) of Ashland's Form 8-A filed with the Commission on May 16, 1996).
4.2	Registration Rights Agreement between the Company and the Selling Shareholders.
5	Opinion of Thomas L. Feazell, Esq.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Thomas L. Feazell, Esq. (included as part of Exhibit 5).
23.3	Consent of Price Waterhouse LLP.
24	Power of Attorney, including resolutions of the Board of Directors.

AGREEMENT OF MERGER AND PLAN OF REORGANIZATION

among

Ashland Inc.,

through its division known as The Valvoline Company

and

Bernard A Li, individually and as trustee of The Li Family Trust
Charles W. Hill
and
Walter S. Arnold
and
EGL-1, Inc. (the "Company")

for the acquisition by merger of all the outstanding shares of
Common Stock of the Company

January 21, 1998

LIST OF EXHIBITS

AGREEMENT OF MERGER AND PLAN OF REORGANIZATION

THIS AGREEMENT OF MERGER AND PLAN OF REORGANIZATION ("Agreement"), made and entered into as of this 21st day of January, 1998, among Bernard A. Li, an individual, individually and as trustee of The Li Family Trust, Charles W. Hill, an individual, and Walter S. Arnold, an individual (collectively hereinafter referred to as the "Shareholders"), EGL-1, Inc., a California corporation (the "Company"), and Ashland Inc., a Kentucky corporation, through its division known as The Valvoline Company, with offices located at 3499 Blazer Parkway, Lexington, Kentucky 40509 (hereinafter referred to as the "Purchaser"). Immediately upon execution of this Agreement, Purchaser shall form a California corporation which shall be a wholly-owned subsidiary of Purchaser ("Valvoline Sub");

WITNESSETH:

WHEREAS, the Shareholders own of record and beneficially all of the issued and outstanding shares of capital stock of the Company;

WHEREAS, the Shareholders desire to sell to Purchaser, and Purchaser desires to buy from the Shareholders, all of the issued and outstanding shares of common stock, no par value, of the Company (the "Shares");

WHEREAS, the Shareholders and Purchaser intend that the acquisition of the Shares qualify as a reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(E) of the Internal Revenue Code of 1986, as amended (the "Code");

NOW, THEREFORE, in consideration of the foregoing premises, the mutual representations, warranties, covenants and agreements contained herein, and upon terms and subject to the conditions hereinafter set forth, the parties do hereby agree as follows:

ARTICLE I.
TERMS OF MERGER

1.1 Merger. On the Closing Date, pursuant to the statutory agreement of merger executed concurrently herewith, (i) Valvoline Sub shall merge with and into the Company (the "Merger"), (ii) all the outstanding capital stock of Valvoline Sub shall be converted into that number of shares of common stock of the Company equal to the Purchase Price (as adjusted pursuant to Section 1.3) divided by the amount of Ashland Stock equivalent to the value of the Purchase Price (as so adjusted), as determined under Section 1.4, and (iii) the Shares shall be converted into the Purchase Price (as hereinafter defined). At the Closing, the Shareholders shall deliver to Purchaser certificates, representing all of the Shares, and Purchaser shall deliver to the Shareholders the Purchase Price.

1.2 Purchase Price. The aggregate purchase price for the Shares to be paid by Purchaser to the Shareholders hereunder shall be the sum of Twenty Seven Million Dollars ($27,000,000.00), as may be adjusted pursuant to the provisions of Section 1.3 hereof (the "Purchase Price").

1.3 Purchase Price Adjustment. Subject to compliance by Purchaser with the provisions of this Section 1.3, the Purchase Price shall be adjusted downward by the sum of (i) the Employee Bonus Amounts (as hereinafter defined) and (ii) the Company Transaction Fees (as hereinafter defined). Prior to the Closing, the Purchaser shall have contributed to the capital of Valvoline Sub cash in the amount sufficient to pay the Employee Bonus Amounts and the Company Transaction Fees and on the Closing Date the Purchaser shall cause the Company, as successor to Valvoline Sub, to use such cash to pay the Employee Bonus Amounts and the Company Transaction Fees. "Company Transaction Fees" means the fees and charges incurred in connection with the transactions contemplated by this Agreement to (i) Donaldson, Lufkin & Jenrette, (ii) Sheppard, Mullin, Richter & Hampton LLP, (iii) Good, Swartz & Berns, and (iv) Fulwider, Patton, Lee & Utecht, LLP. At least five days before the Closing Date, the Shareholders shall cause the Company to deliver to Purchaser a schedule showing the amounts of the Company Transaction Fees. The parties agree that the Company shall have the right to enter into agreements with its employees to provide for the payment to such employees of the amounts set forth beside each employee's name as set forth on Schedule 1.3 hereto ("Employee Bonus Amounts"). The Company shall use its commercially reasonable efforts to obtain releases from such employees and to provide copies thereof to the Purchaser on the business day immediately preceding the Closing Date.

1.4 Form of Consideration. The Purchase Price shall be paid by Purchaser at Closing to the Shareholders by issuance of shares of common stock, par value $1.00 per share, of Ashland Inc., a Kentucky corporation (the "Ashland Stock") in an amount equivalent to the value of the Purchase Price. The number of shares of Ashland Stock that will be deemed equivalent to the value of the Purchase Price shall be determined by dividing the Purchase Price by the lesser of the closing price of Ashland Stock as reported on the composite tape of the New York Stock Exchange for: (1) the business day immediately preceding the Closing; or (2) the twenty (20) business days immediately preceding Closing, represented as a simple average. The Ashland Stock shall be paid to the Shareholders proportionately according to the number and percentage of shares of the Company held by each Shareholder at Closing. None of the Purchase Price may be paid in cash or other property except for payment of any fractional shares of the Purchaser. Following the Closing, the Purchaser shall file a registration statement for the purpose of registering the resale of the Ashland Stock under the Securities Act of 1933, as amended ("Securities Act") subject to the terms and conditions of a Registration Rights Agreement substantially in the form of Exhibit 1.4 hereto.

1.5 Binding Nature of Agreement. Until the Closing Date, the Shareholders and their representatives shall be prohibited from discussing, negotiating or entering into an agreement with any third party for the purpose of or in any way related to the potential acquisition of the Company, its stock or its assets. In addition, the parties shall jointly prepare a public announcement outlining the proposed arrangement between the parties to be released as soon as practicable following the execution of this Agreement.

ARTICLE II.
CLOSING

2.1 The Closing; Closing Date. The Merger shall take place at the offices of Sheppard, Mullin, Richter & Hampton LLP, 501 West Broadway, 19th Floor, San Diego, California 92101 at 9:00 a.m. on February 2, 1998, or at such other place and/or other date as the parties may mutually agree (the "Closing Date"). In no event shall the Closing Date be later than February 15, 1998.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDERS

Each of the Shareholders represents and warrants severally, but not jointly, to Purchaser as set forth in this Article III. The representations and warranties of the Shareholders set forth in Sections 3.3, 3.5 and 3.6 shall be deemed to be given by a Shareholder solely as to himself. For all other representations and warranties provided by the Shareholders, each Shareholder's knowledge shall be imputed to the other Shareholders regardless of a particular Shareholder's actual knowledge. As used herein, "knowledge" of a Shareholder shall mean such Shareholder's actual knowledge. Matters disclosed in a schedule in reference to any specific section shall be deemed to be disclosed for all purposes of this Article III.

3.1 Organization of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has full power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company is duly qualified or otherwise authorized as a foreign corporation to transact business and is in good standing in all jurisdictions in which it is conducting its business (except where the failure to so qualify would not have a material adverse effect on the Company) and each jurisdiction wherein the Company is qualified or authorized is set forth in Schedule 3.1.

3.2 Capitalization of the Company. As of the date hereof, the authorized capitalization of the Company consists of 1,000,000 shares of Common Stock, no par value, of which 100,000 shares are issued and outstanding. All of the issued and outstanding shares of the Company are held by the Shareholders, and are validly issued, fully paid and non-assessable. There are no outstanding rights, subscriptions, warrants, calls, options or other agreements of any kind to purchase or otherwise receive from the Shareholders or the Company, and there are no securities convertible into or exchangeable for, any shares of capital stock of the Company.

3.3 Title to Shares. The Shareholders are the beneficial and record owners of all the Shares, free and clear of any lien, pledge or encumbrance ("Liens").

3.4 Articles of Incorporation and By-laws. The Shareholders have heretofore delivered or made available to Purchaser copies of the Company's Articles of Incorporation and By-laws, which have

not been amended since such delivery or being made available.

3.5 The Shareholders; Authority. The Shareholders have all requisite power and authority to execute and deliver this Agreement and to perform their obligations hereunder. This Agreement has been duly executed and delivered by the Shareholders and constitutes the valid and binding obligation of the Shareholders, enforceable against the Shareholders in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, and other laws affecting the enforcement of creditors' rights generally and subject to equitable principles.

3.6 Consents and Approvals. Except as set forth on Schedule 3.6, there is no authorization, consent order or approval of, or notice to or filing with, any governmental authority required to be obtained or given or waiting period required to expire as a condition to the lawful consummation by the Shareholders of the sale of the Shares pursuant to this Agreement.

3.7 No Conflicts. Except as set forth on Schedule 3.7, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will:

a) violate or conflict with any provision of the Articles of Incorporation or By-laws of the Company;

b) violate, conflict with or result in the breach or termination of, or otherwise give any other contracting party the right to terminate, or constitute a default under the terms of any contract, mortgage, lease, bond, indenture, agreement, franchise or other instrument or obligation of or with the Company, whether written or oral (collectively, "Obligations"), except where any of the foregoing would not have a material adverse effect on the Company;

c) result in the creation of any material Lien upon any assets of the Company pursuant to the terms of any Obligation;

d) violate any judgment, order, writ, injunction or decree of any court, arbitrator, administrative agency or government authority (collectively, "Orders") to which the Company is a party; or

e) constitute a violation by the Shareholders or the Company of any statute, law or regulation of any jurisdiction, except for any violation which would not have a material adverse effect on the Company.

3.8 Financial Statements. The Shareholders have delivered to Purchaser (a) true copies, reviewed by Good, Swartz & Berns, the Company's independent certified public accountants, of the Company's Balance Sheet ("Balance Sheet" and the date thereof being the "Balance Sheet Date") for the fiscal year ended December 31, 1996 (the "Reviewed Financial Statements"); and (b) the balance sheet and income statement for the eleven month period ended November 30, 1997 (the "Current Financial Statements"), all of which Reviewed Financial Statements and Current Financial Statements are set forth on Schedule 3.8 (collectively, "the Financial Statements"). The Reviewed Financial Statements were reviewed and prepared in conformity with generally accepted accounting principles consistently applied so as to fairly present the financial condition and results of operations of the Company for the period presented. The Current Financial Statements have been prepared by management of the Company for internal purposes on a basis consistent with past practice.

3.9 Liabilities. The Company does not have any debts, obligations or liabilities of whatever kind or nature, either direct or indirect, absolute or contingent, matured or unmatured, except for debts, obligations or liabilities that (i) are set forth on Schedule 3.9, (ii) are fully reflected in, or reserved against on, the Reviewed Financial Statements or the Current Financial Statements, (iii) were not required to be set forth in the Reviewed Financial Statements in accordance with generally accepted accounting principles on a consistently applied basis, (iv) were incurred in the ordinary course of business, (v) are created under this Agreement or other contracts listed on Schedule 3.14 hereto or as required or permitted thereby, or (vi) would not have a material adverse effect on the Company.

3.10 Absence of Certain Changes or Events. Except as set forth in Schedule 3.10 or except as otherwise contemplated by this Agreement (including without limitation payment of the Employee Bonus Amounts), since September 30, 1997, there has not been (a) any damage, destruction or casualty loss to the physical properties of the Company (whether covered by insurance or not) in excess of $25,000.00 in the aggregate; (b) any material adverse change in the business, operations or financial condition of the Company; (c) any entry into any transaction, commitment or agreement (including without limitation any borrowing or capital expenditure) to the Company except in the ordinary course of

business and in any event not greater than $25,000.00; (d) any redemption or other acquisition by the Company of the Company's capital stock or any declaration, setting aside or payment of any dividend or other distribution in cash, stock or property with respect to the Company's capital stock; (e) any increase in the rate or terms of compensation payable, or to become payable, by the Company to its directors, officers or employees or any increase in the rate or terms of any bonus, pension, insurance or other employee benefit plan, payment or arrangement made to, for or with any such directors, officers or key employees; or (f) any sale, transfer or other disposition of any asset of the Company to any party, including the Shareholders, except for (I) payment of third-party obligations incurred, (II) transfers of assets identified as "Excluded Assets" on Schedule 3.10-A hereto, which Excluded Assets may be transferred to the Shareholders or an entity owned or controlled by them (which transfer will not cause the Company, after the merger with Valvoline Sub, to fail to hold substantially all of its properties other than the Ashland Stock within the meaning of Code Section 368(a)(2)(E)(i)), and (III) transfers of assets in the ordinary course of business or (g) any failure by the Company to pay its accounts payable or other obligations in the ordinary course of business, except for any failure which would not have a material adverse effect on the Company.

3.11 Properties.

a) The Company does not own any real property and there are no options held by the Company or contractual obligations to purchase or acquire (including by way of lease) any interest in real property.

b) Schedule 3.11(b) sets forth all leases, subleases or other agreements under which the Company is lessee or lessor of any real property. There is not under any of such instruments any existing or claimed default, event of default or, to the Shareholders' knowledge, event which, with notice or lapse of time or both, would constitute an event of default by the Company.

3.12 Patents, Copyrights and Trademarks. Schedule 3.12 sets forth a list of all patents, pending patent applications, copyrights, trademarks and trade names ("Proprietary Rights") used by the Company for which the Company has or is seeking registration protection, all of which are either owned by or licensed to the Company. The Company possesses the right to use and to prevent others from using such Proprietary Rights to the extent allowable by applicable law and to the extent not limited by existing agreements. Excepting the potential claims which may arise from certain existing conflicts as set forth on Schedule 3.12, to the Shareholders' knowledge, such Proprietary Rights do not infringe upon the intellectual property rights currently asserted by others. Such Proprietary Rights are sufficient and adequate to carry on the business of the Company as heretofore conducted by the Company.

3.13 Insurance. Schedule 3.13 sets forth a list of current primary policies or binders of fire, liability, product liability, workers' compensation, vehicular, and other current primary insurance held by or in force for the benefit of the Shareholders, including the Company. Such policies and binders are in full force and effect. All premiums due on such policies have been paid or accrued. The Company has not borrowed or assigned any of the proceeds of any such policies to any other person or entity, other than naming persons or entities as additional insureds or loss payees. The Company is not in default with respect to any provision contained in any such policy or binder, the effect of which default could impair the ability of the Company to avail itself of the coverage provided by such policy or binder, and the Company has not failed to give any notice or present any claim under any such policy or binder when due and in a timely fashion.

3.14 Contracts and Other Agreements.

a) Schedule 3.14(a) sets forth a short description of all of the following agreements to which the Company is a party or which it or its assets or properties are bound or subject:

(i) agreements which obligate the Company to purchase more than $25,000.00 worth of goods and/or services from any one of the Shareholders or a group or entity related to or affiliated with one of the Shareholders;

(ii) agreements for the sale of any of the assets of the Company not in the ordinary course of business;

(iii) leases with a duration of more than one (1) year which obligate the payment as rent or otherwise, in case of each such lease, in excess of $25,000.00 per year;

(iv) employment contracts, consulting or other contracts for personal services, executive compensation plans, bonus

plans, deferred compensation agreements, golden parachute agreements or other plans, arrangements or contracts, whether written or oral, providing for benefits or compensation for employees of the Company;

(v) agreements and/or commitments for capital expenditures in excess of $25,000.00;

(vi) agreements which obligate the Company to supply products, materials and/or services for a period of one (1) year or more or which have a remaining amount to be paid to the Company in excess of $25,000.00;

(vii) contracts, loan agreements, repurchase agreements, mortgages, security agreements, trust indentures, promissory notes or other documents relating to the borrowing of money or for lines of credit;

(viii) contracts for the sale of securities or for the grant of options or preferential rights to purchase any securities;

(ix) partnerships or joint venture agreements;

(x) contracts materially limiting or restraining the Company from competing in its business;

(xi) agreements which obligate the Company to assume, indemnify, or to otherwise become contingently liable or responsible for the obligations of any other person or entity;

(xii) bids to perform services and/or to provide products or materials in an amount in excess of $25,000;

(xiii) warranties or similar commitments or agreements where the consideration paid or to be paid is more than $25,000;

(xiv) any other contract or agreement that is material to the Company or its business.

b) Except as otherwise set forth in Schedule 3.14(b), neither the Company nor the Shareholders have received notice of any (i) unresolved claim or threat that the Company has breached any term or condition of any of the contracts, commitments, or agreements set forth in Schedule 3.14(a), or (ii) notice of repudiation or denial of the enforceability of any of the contracts, commitments or agreements set forth in Schedule 3.14(a). All contracts, commitments and agreements set forth on Schedule 3.14(a) are in full force and effect and there is no default, nor, to the Shareholders' knowledge, any event which, with notice or lapse of time, or both, will become a default.

3.15 Accounts Receivable. All of the accounts receivable and notes receivable owing to the Company as of the Closing constitute valid and enforceable claims arising from bona fide transactions in the ordinary course of business, and as of the date hereof there are no claims, refusals to pay or other rights of set-off against any thereof known to the Shareholder. Except as set forth on Schedule 3.15, as of the date hereof there is (a) no account debtor or note debtor delinquent in its payment by more than sixty (60) days, (b) no account debtor or note debtor who has refused or threatened to refuse to pay its obligations for any reason, (c) to the Shareholders' knowledge, no such account debtor or note debtor who is insolvent or bankrupt, and (d) no account receivable or note receivable pledged to any third party.

3.16 Accounts Payable and Accrued Expenses. All accounts payable, accruable expenses, and notes payable by the Company to third parties as of the Closing arose in the ordinary course of business, and as of the Closing there is no account payable, accrued expense, or note payable past due or delinquent in its payment.

3.17 Inventories. Except as set forth on Schedule 3.17, the inventories of the Company as of the Closing (a) include no items which are slow moving, below standard quality, or of a quality or quantity not useable or saleable in the ordinary course of business, the aggregate value of which has not been written down on the Company's books of account to realizable market value, and (b) are of a quality and quantity which is reasonable in the circumstances of the Company's business.

3.18 Equipment and Machinery. Schedule 3.18 sets forth a complete and correct list as of December 31, 1997 of each item of equipment and machinery owned or leased by the Company. Except as set forth in Schedule 3.18, the Company has good title, free and clear of all Liens to the equipment and machinery owned by it. None of the title defects, objections, security interests, or Liens materially adversely affects the value of any of the items of equipment and machinery or interferes with its

use in the conduct of the business of the Company. Except as set forth in Schedule 3.18, the Company holds good and transferable leaseholds in all of the equipment and machinery leased by them, in each case under valid and enforceable leases. The Company is not in default with respect to any item of equipment and machinery leased by them, and, to the Shareholders' knowledge, no event has occurred that constitutes or, with due notice or lapse of time or both, may constitute a default under any lease thereof. Except for repairs in the ordinary course of business, the equipment and machinery listed in Schedule 3.18 is in good operating condition and repair, normal wear and tear excepted.

3.19 Permits and Licenses. Schedule 3.19 sets forth all governmental licenses, permits and approvals (collectively, the "Permits") currently held by the Company and all such Permits are in full force and effect. Schedule 3.19 also sets forth all applications for Permits currently pending. Except as set forth in Schedule 3.19, the Company has not received notice from any governmental entity to the effect that any additional Permits are required. Except as set forth in Schedule 3.19, the Permits are sufficient and adequate to permit the continued lawful conduct of the business of the Company as heretofore conducted and none of the operations of the Company are being conducted in a manner that violate any of the terms or conditions under which any Permit was granted, which violation would have a material adverse effect on the Company.

3.20 Compliance With Laws. Except as set forth in Sections 3.19 (Permits and Licenses), 3.21 (Environmental Liabilities), 3.22 (Actions and Proceedings), 3.24 (Certain Business Practices), 3.25 (Employees and Benefit Plans), and Article V (Taxes), or in the Schedules thereto, the Company has complied with all laws, statutes, rules, regulations and orders applicable to its business, except for such non-compliance which would not have a material adverse effect on the Company.

3.21 Environmental Liabilities.

a) Except as set forth on Schedule 3.21(a), the Company has not used, stored, treated, transported, manufactured, refined, handled, produced, or disposed of any Hazardous Materials or Petroleum Products, as hereinafter defined, on, in, under, at, from, or above any of their current or former properties or assets or property leased by them, or otherwise, in any manner which at the time of the action in question violated any Environmental Law, as hereinafter defined, governing the use, storage, treatment, transportation, manufacture, refinement, handling, production, or disposal of Hazardous Materials or Petroleum Products, except for any violation which would not have a material adverse effect on the Company.

b) Except as set forth on Schedule 3.21(b), the Company has no material obligations or liabilities, matured or not matured, absolute or contingent, assessed or unassessed, and no pending claims have been made against them and no currently outstanding citations or notices including, without limitation, notice letters, information requests or notices of potential responsibility, have been issued against any of them, which in the case of any of the foregoing have been or are imposed by any provision of any Environmental Laws.

c) As used herein, "Environmental Laws" shall mean any and all federal state, local, or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or requirements of any federal, state, municipal, or other governmental department, commission, board, bureau or agency, regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Materials or Petroleum Products or environmental protection, as now in effect, including without limitation, the Clean Water Act, also known as the Federal Water Pollution Control Act, 33 U.S.C. Sec. 1251 et seq., the Clean Air Act, 42 U.S.C. Secs. 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. 300F et seq., the Surface Mining Control and Reclamation Act 30 U.S.C. Secs. 1201 et seq., the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sec. 9601 et seq., the Superfund Amendment and Reauthorization Act of 1986, Public Law 99-499, 100 Stat. 1613, the Emergency Planning and Community Right to Know Act, 42 U.S.C. Sec. 1101 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Sec. 2601 et seq., and any comparable state law, together, in each case, with any amendment thereto, and the regulations adopted thereunder and all substitutions thereof.

d) As used herein, "Hazardous Materials" shall mean any hazardous materials, hazardous wastes, infectious medical wastes, hazardous or toxic substances, asbestos, asbestos fibers, friable asbestos, any PCB's, waste or used oil, or constituents of the foregoing, or other waste or material defined or regulated as such in or under any Environmental Law and shall include gasoline, diesel fuel, motor oil, heating oil, kerosene, and any other petroleum products.

3.22 Actions and Proceedings. Except as set forth in Schedule 3.22, there are no (a) suits, claims or legal, administrative or arbitration proceedings or investigations (collectively, "Actions") (whether or not the defense thereof or liabilities in respect thereof are covered by policies of insurance) or (b) governmental or professional inquiries (including, without limitation, any inquiry as to the qualification of the Company to hold or receive any Permit), pending or, to the Shareholders' knowledge, threatened, against, involving or affecting the Company.

3.23 Certain Transactions. Except as set forth in Schedule 3.23, the Company is not, directly or indirectly, a party to or is bound by a contractual obligation with, owes any money to, is purchasing or leasing any property from, or obtaining services from, is transferring or leasing any property to, or providing services to, or otherwise engaging in any transaction with, any officer, director, shareholder or affiliate of the Company.

3.24 Certain Business Practices. The Company has not, and each shareholder, officer, employee, or agent of the Company (in each case, acting on behalf of or at the request of the Company) has not, nor has any other person acting on behalf of the Company, directly or indirectly, (i) given or agreed to give any bribe, kickback, or other illegal payment to any customer, supplier, governmental employee, or other person or entity who is or may be in a position to help or hinder the business of the Company (or assist the Company in connection with any actual or proposed transaction); (ii) made or agreed to make any contribution, payment, or gift of funds or property to any governmental official, employee, or agent where either the contribution, payment, or gift or the purpose thereof was illegal under the laws of any federal, state, local, or foreign jurisdiction; or (iii) established or maintained any unrecorded fund or asset for any purpose, or made any false entries on any books or records for any reason.

3.25 Employees and Benefit Plans.

a) Employees. Schedule 3.25(a) sets forth a true and complete list of every officer, director, employee and independent contractor of the Company as of the date of this Agreement. Schedule 3.25(a) also sets forth any employee who is on a leave of absence under the federal Family and Medical Leave Act or under any similar state law; who is on sick leave or short-term or long-term disability, or who is on any other kind of personal or medical leave. Schedule 3.25(a) includes:

(i) each such person's name, date of hire, work location and job title;

(ii) if applicable, the name and address of any labor organization which represents each such person and a description of the bargaining unit in which each such person is a member;

(iii) each such person's current annual base rate of compensation plus the amount of any increases thereto and any and all bonuses, incentive pay or other additional compensation which the Company is obligated to pay (other than pursuant to any employee benefit plan as defined under section 3(3) of the Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the reason for such obligation; and

(iv) the corporate credit cards issued to each such person. Other than that set forth on Schedule 3.25, there are no currently existing agreements or arrangements which extend credit to Company employees pursuant to which such employees may incur debt on behalf of the Company.

To the reasonable knowledge of the Shareholders, all communications made to any such officer, director, or employee by the Company prior to Closing relating to any Benefit Plan, as defined in Section 3.25(b) below, were, at the time made, substantially correct and not misleading.

b) Benefit Plans. Schedule 3.25(b) sets forth a true and complete list and identification of all of the following described arrangements which the Company maintains, contributes to, is a party to or otherwise has any obligation with respect to any current or former officer, director, employee and independent contractor as of the date hereof:

(i) all employee welfare benefit plans as defined under section 3(1) of ERISA (hereinafter called "Welfare Plans");

(ii) all employee pension benefit plans as defined under section 3(2) of ERISA (hereinafter called "Pension Plans" and such Pension Plans and Welfare Plans shall hereinafter be collectively referred to as "Plans" as defined under section 3(3) of ERISA);

(iii) all multiemployer plans as defined

under sections 3(37) and 4001(a)(3) of ERISA;

(iv) all multiple-employer plans as described under section 413 of the Code;

(v) all written employment contracts;

(vi) all oral contracts or understandings which alter the employee-at-will relationship or create express or implied obligations;

(vii) all collective bargaining agreements;

(viii) all stock option and stock purchase programs, other than those listed under (i) or (ii) above:

(ix) all incentive, bonus, profit sharing, deferred compensation or other similar arrangements, other than those listed under (i) or (ii) above;

(x) all severance plans or policies, whether or not written, other than those listed under (i) or (ii) above;

(xi) all unfunded excess benefit plans as defined under section 3(36) of ERISA;

(xii) all insurance contracts or policies, including both group and individual arrangements, and any and all agreements or arrangements relating to benefit claims, administration, investment or other services maintained in connection with any of the foregoing; and

(xiii) any other compensation (other than regular annual compensation), fringe benefit, employment policy, multiple employer welfare arrangement (MEWA) as defined under section 3(40) of ERISA or other employment benefit arrangement not already included under the foregoing.

Except as set forth in Schedule 3.25(b), true, complete and correct copies of all documents embodying the provisions of the arrangements listed and identified under (i)-(xiii) above will be delivered to Purchaser by the Shareholders prior to the execution of this Agreement. Except as set forth in Schedule 3.25(b) , for the arrangements listed and identified under (i)-(xiii) for which there are no writings, true, correct and complete written descriptions of such arrangements, as they may have been amended to the date of this Agreement, have been delivered to Purchaser by the Shareholders. Except as set forth in Schedule 3.25(b), since September 30, 1997, the Company has not adopted or amended any arrangement of a nature referred to under (i)-(xiii) above, has not authorized or promised any salary increase or bonus to any employee, and has not authorized, promised or taken other actions which would require a contribution to be made to the trustee of such Plan in excess of any contributions already physically transferred to the trustee of such Plan.

c) ERISA and Code Filings. Except as set forth in Schedule 3.25(c), with respect to each Plan and arrangement listed under paragraph (b) above required to make the filings referred to in this paragraph (c), there is no material violation of ERISA or the Code with respect to the filing of applicable reports, documents and notices with the Secretary of Labor, the Secretary of the Treasury, any participant or any beneficiary. Except as set forth n Schedule 3.25(c), with respect to each such Plan or arrangement (if applicable), complete and correct copies of the following have been delivered to Purchaser by the Shareholders:

(i) the most recent annual actuarial valuation reports;

(ii) the most recent forms in the 5500 series, including all applicable schedules and other attachments;

(iii) the most recent annual and periodic accounting statements of plan assets;

(iv) the most recent summary plan descriptions and summaries of material modifications;

(v) the most recent forms in the 990 series, including all applicable schedules and other attachments;

(vi) any form S310-A filings within the last 12 months, including all applicable schedules and other attachments;

(vii) any form 5330 filings within the last 12 months; and

(viii) any notice filing described in Department of Labor regulations 2520.104-23 relating to Pension Plans for a select group of management or highly compensated employees.

d) Compliance with Obligations. Except as set forth in Schedule 3.25(d), with respect to each Plan and arrangement listed in paragraph (b) above, to the Knowledge of the Shareholders, the Company has performed in all material respects all of its obligations thereunder and the terms and administration of each such Plan or arrangement, are and have been in compliance in all material respects with all the requirements prescribed by any and all applicable federal, state and local statutes or ordinances, executive orders, regulatory law, common law, judicial decisions and other governmental rules.

e) Medical Plans. Except as set forth in Schedule 3.25(e), each Welfare Plan listed in paragraph (b) above that is a group health plan as defined in section 5000(b)(1) of the Code and the Company have, to the knowledge of the Shareholders, complied in all material respects with all applicable requirements of the COBRA health continuation of coverage provisions contained in section 49808(f) of the Code and sections 601 through 609 of ERISA with respect to its employees, former employees, qualified beneficiaries and alternate recipients. To the Knowledge of the Shareholders, (i) the Company has not made any contributions to a nonconforming large group health plan as defined under section 5000 of the Code, and (ii) the Company has, with respect to the coverage provided under such group health plan, complied in all material respects with the current and former Medicare secondary payer provisions contained in 42 USCS ss. 1395y.

f) Actions. Except as set forth in Schedule 3.25(f), there are no suits, actions, disputes, claims (other than routine claims for benefits), arbitrations, legal, administrative or other proceedings (including any pending IRS determination requests) or governmental investigations pending or threatened with respect to any Plan or arrangement listed in paragraph (b) above or with respect to the Company as the sponsor or fiduciary thereof or with respect to any other fiduciary thereof, and there are no facts which could give rise to any such suit, action, dispute, claim (other than routine claims for benefits), arbitration, legal, administrative or other proceeding or governmental investigation with respect to any such Plan or arrangement or with respect to the Company as the sponsor or fiduciary thereof or with respect to any other fiduciary thereof.

g) IRS Matters. Except as set forth in Schedule 3.25(g), each Benefit Plan in paragraph (b) above intended to qualify under section 401 of the Code or trust or other organization related thereto intended to be exempt from taxation under section 501 of the Code, is the subject of a favorable unrevoked determination or opinion letter issued by the IRS as to its qualification and/or tax exempt status under the Code which may still be relied upon as to such tax qualified and/or exempt status. The Shareholders have delivered to Purchaser true and complete copies of each such favorable unrevoked determination or opinion letter, if any. Nothing has occurred which would cause the loss of such qualification and/or tax exempt status, other than the enactment of any statute or the promulgation of any regulation, ruling, notice or announcement with respect to which there is in effect a delayed amendment date if each such Plan which is subject thereto has been administered and maintained at all times in compliance with such statute or regulation, ruling, notice or announcement since the effective date thereof. No such Plan or any trust or other organization related thereto is subject to any tax on unrelated business income under section 511 of the Code or is subject to the possibility of the imposition of such a tax and no such tax is currently outstanding. Each such Plan has been operated in compliance with all applicable provisions of ERISA, the Code and all regulations, rulings and other authority issued thereunder, and all other applicable governmental laws and regulations.

h) Prohibited Transactions and Other Matters. Except as set forth in Schedule 3.25(h), with respect to each Benefit Plan listed in paragraph (b) above, to the Knowledge of the Shareholders (i) no prohibited transaction, as such term is defined in section 4975 of the Code and section 406 of ERISA, has occurred or been engaged in by any party in interest, fiduciary or disqualified person and (ii) no actions have been undertaken by any such Plan, party in interest, fiduciary or disqualified person which could result in the imposition of the penalties specified under sections 502(c), 502(i) and 502(i) of ERISA.

i) Contributions and Funding. Except as set forth in Schedule 3.25(i), with respect to each Pension Plan listed in paragraph (b) above which is subject to Part 3 of Subtitle B of Title 1 of ERISA and/or section 412 of the Code, there has not been an accumulated funding deficiency within the meaning of such statutory provisions, whether or not waived, as of the last day of the most recent fiscal year of each such Pension Plan which ended on or prior to the Closing Date and, with

respect to each Pension Plan which is subject to Title IV of ERISA (other than a multiemployer plan as defined in section 3(37) of ERISA), the actuarial present value of the accumulated benefit obligations (both vested and non-vested) under each such Pension Plan as of its most recent plan valuation date did not exceed the then current fair market value of the assets of each such Pension Plan and, as of the Closing Date, the actuarial present value of all such accumulated benefit obligations will not exceed the then current fair market value of the assets of such Pension Plan. For these purposes, the actuarial present value of accumulated benefit obligations shall be determined using the actuarial assumptions used to calculate contributions to each such Pension Plan.

j) Reportable Events. Except as set forth in Schedule 3.25(j), with respect to each Pension Plan listed in paragraph (b) above which is subject to Title IV of ERISA, there is no event or condition which has occurred or is now existing which would be deemed a reportable event (other than the transactions contemplated by this Agreement) within the meaning of sections 4043(b) (11)-(8), 4062(e), 4063(a) or 4041(f) of ERISA and no such reportable event is expected to occur during the current fiscal year for any such Pension Plan.

k) PBGC Liability. Except as set forth in with respect to each Pension Plan listed in paragraph (b) above which is subject to Title IV of ERISA, there has not been and there is not expected to be any liability to the Pension Benefit Guaranty Corporation ("PBGC"), except for required premium payments, under sections 4062, 4063, 4064 or 4069 of ERISA. All such premium payments to the PBGC have been paid when due and no such premiums which should have been paid remain outstanding. Except as set forth in Schedule 3.25(k), none of the Plans listed in paragraph (b) above nor any other plan of the Company which is or was subject to Title IV of ERISA has terminated since September 1, 1974.

l) Multiemployer Plans. Except as set forth in Schedule 3.25(l), the Company does not and did not at any time on or after the effective date of ERISA maintain, contribute to or otherwise have any obligation with respect to any multiemployer plan (as defined in section 3(37) of ERISA) and the Company has not incurred any withdrawal liability to any such multiemployer plan and has not received any notice pursuant to section 4202 of ERISA with respect to any such multiemployer plan.

m) Retiree Liabilities. Except as set forth in Schedule 3.25(m), the Company and/or any Plan or other arrangement listed in paragraph (b) above has no obligation to provide any type of life, medical, dental, disability, long-term care or other benefit to retirees, former employees, former directors or former independent contractors of the Company, other than coverage required under section 4980B(f) of the Code and benefits payable under any Plan or other arrangement listed on which provides for deferred compensation or severance benefits.

n) QDRO AND QMSCO Obligations. Schedule 3.25(n) sets forth a true and complete list of every individual affected by or potentially affected by any approved or any submitted domestic relations order which has been submitted for the purpose of determining whether such order is a Qualified Domestic Relations Order as defined under Code section of 414(p) or a Qualified Medical Child Support Order as defined under section 509 of ERISA.

o) ERISA Affiliates. The Company has never been a member of a controlled group of entities, as determined under Code Sections 414(b) and (c), where such membership would be material to compliance of any Benefit Plan with the Code or ERISA.

3.26. Brokers or Finder's Fees. Except as set forth in Schedule 3.26, neither the Shareholders nor the Company has paid or has or will incur any liability for, any fees, compensation or other expenses to any third party who acted on behalf of the Shareholders or the Company in connection with this Agreement or the transactions contemplated hereby. 'Conditional End of Page' code here: keep together 4 lines.

3.27 Investment Representations.

(a) Each Shareholder represents that he is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act and has such knowledge and experience in financial and business matters that he or it is capable of evaluating the merits and risks of investment in Ashland Stock.

(b) Each Shareholder represents that he or it is acquiring the Ashland Stock for his or her own account and acknowledges that the Ashland Stock has not been registered under the Securities Act by reason of its issuance in a transaction which is exempt from registration pursuant to Section 4(2) of the Securities Act, and that the Ashland Stock must be held indefinitely unless registered under the Securities Act or an exemption from registration is available.

(c) The Shareholders agree that as evidence of the restrictions on transfer, the following legend will be placed on the certificates evidencing the Ashland Stock:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be sold, transferred, pledged or hypothecated unless subsequently registered under said Act or an exemption from registration is available."

(d) Each of the Shareholders hereby confirms that he or it was furnished with, or had access to, during the course of this transaction and prior to sale: (i) the information contained in the Purchaser.'s most recent Form 10-K and annual report required to be filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the information contained in the Purchaser's most recent definitive proxy statement required to be filed pursuant to Section 14 of the Exchange Act and all periodic reports required to be filed since the filing of such annual report (all such reports being referred to hereinafter as the "Ashland SEC Documents"); (ii) a brief description of the securities being offered and any material changes in the Purchaser's affairs which were not disclosed in any documents furnished by the Purchaser; and (iii) any and all such other information as was requested from the Purchaser (to the extent the Purchaser possessed such information or could acquire it without unreasonable effort or expense).

3.28 Ashland Stock. The Shareholders do not have any present plan or intention to dispose of any of the Ashland Stock received in this transaction if such disposition would reduce the fair market value of the Ashland Stock (with such value measured as of the transaction date) retained by the Shareholders to an amount less than forty percent (40%) of the fair value of the Company stock held by the Shareholders immediately before the transaction. Each Shareholder shall give to Purchaser written notice (i) by November 30, 1998, of the number of shares of Ashland Stock, if any, disposed of by such Shareholder prior to that time and (ii) by April 15, 1999, of the number of shares of Ashland Stock, if any, disposed of by such Shareholder after November 29, 1998 and before the first anniversary of the Closing Date.

3.29 Product Formulations. The Company has disclosed to Purchaser the percentages by weight of petroleum distillates, volatile organic compounds, Hazardous Materials and certain other (but not all) components for each current formula for the Company's chemical products, together with the Material Data Safety Sheets and product labels for such chemical products. To the Shareholders' knowledge, (i) the product labels for such products comply with Consumer Product Safety Commission guidelines, and (ii) the product formulations are accurately reflected in the disclosures in the Material Safety Data Sheets for these products.

3.30 Full Disclosure. All documents, schedules and other materials delivered or to be delivered by or on behalf of the Shareholders to Purchaser in connection with this Agreement and the transactions contemplated hereby are true and complete in all material respects. The information furnished by or on behalf of the Shareholders to Purchaser in this Article III does not contain any untrue statement of a material fact or omit to state any material fact which may materially adversely affect the results of operation or the financial position of the Company.

For purposes of the indemnification provisions contained in Article XI, any Cost (as defined in Article XI) incurred by the Purchaser as a result of a breach by a Shareholder (without regard to materiality) of any representation and warranty contained in this Article III (which representation and warranty is so qualified as to materiality) shall be applied dollar for dollar against the Deductible and the Cap (each as defined in Article XI).

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Shareholders as follows:

4.1 Corporate Existence of Purchaser; Authority. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Kentucky. Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by Purchaser have been duly and validly authorized by the Executive Committee of Purchaser (it being agreed by Purchaser that the Executive Committee of Purchaser shall recommend the approval of this Agreement and the transactions contemplated thereby to the Board of Directors of the Purchaser). This Agreement has been duly executed and delivered on behalf of Purchaser and, subject to the approval of the Board of Directors of the Purchaser, constitutes the valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms,

except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, and other laws affecting the enforcement of creditors' rights generally and subject to equitable principles. The issuance of the Ashland Stock has been duly authorized by all necessary action on the part of the Purchaser and, when issued in accordance with the terms of this Agreement, the Ashland Stock will be validly issued, fully paid and non-assessable.

4.2 No Conflicts. Neither the execution, delivery and performance of this Agreement by Purchaser nor the consummation by Purchaser of the transactions contemplated by it hereby will:

a) violate any provision of the Certificate of Incorporation or By-laws of Purchaser, (b) violate, conflict with or result in the material breach or termination of, or otherwise give any other contracting party the right to terminate, or constitute (or with notice or lapse of time, or both, would constitute) a material default under the terms of any Obligation, which, individually or in the aggregate, would materially adversely affect the results of operations on a consolidated basis or the consolidated financial position of Purchaser, (c) result in the creation of any Lien upon the material assets of Purchaser pursuant to the terms of any Obligation; (d) violate any Order to which Purchaser is a party; (e) constitute a violation by Purchaser of any statute, law or regulation of any jurisdiction which would materially adversely affect the results of operations on a consolidated basis or the consolidated financial position of Purchaser, or (f) violate any Permit, the violation of which would materially adversely affect the results of operations on a consolidated basis or the consolidated financial position of Purchaser.

4.3 Actions and Proceedings. There are no (a) Actions (whether or not the defense thereof or liabilities in respect thereof are covered by policies of insurance) or (b) governmental or professional inquiries pending or, to the best knowledge of Purchaser, threatened, against Purchaser which question or challenge the validity of this Agreement or any action taken or to be taken by Purchaser in connection with the transactions contemplated of Purchaser hereby.

4.4 Consents and Approvals. There is no authorization, consent order or approval of, or notice to or filing with, any governmental authority required to be obtained or given or waiting period to expire as a condition to the lawful consummation by the Purchaser of the purchase of the Shares pursuant to this Agreement.

4.5 Financial Statements. The Purchaser has delivered to the Shareholders a balance sheet of Purchaser as of September 30, 1997 and September 30, 1996 (the "Purchaser Latest Audited Financial Statements"); and the related statements of income, stockholders' equity and cash flows for each of the years then ended, all certified by Ernst & Young, independent certified public accountants, whose reports thereon are included therein. The Purchaser's Latest Audited Financial Statements and the notes thereto were audited and prepared in conformity with generally accepted accounting principles consistently applied so as to fairly present the financial condition and results of operations of the Purchaser.

4.6 Liabilities. The Purchaser does not have any debts, obligations or liabilities of whatever kind or nature, either direct or indirect, absolute or contingent, matured or unmatured, except for debts, obligations and liabilities that (i) are set forth in Schedule 4.6 or in the SEC Documents, (ii) are fully reflected in, or reserved against on, the Purchaser Latest Audited Financial Statements, (iii) were not required to be set forth in the Purchaser Latest Audited Financial Statements in accordance with generally accepted accounting principles (iv) were incurred in the ordinary course of business, (v) are created under this Agreement or other contracts filed as exhibits to the SEC Documents, or (vi) would not have a material adverse effect on the Purchaser.

4.7 Absence of Certain Changes or Events. Except as set forth in the SEC Documents, or except as otherwise contemplated by this Agreement, since the date of the Purchaser Latest Balance Sheet, there has not been any material adverse change in the business, operations or financial condition of the Purchaser.

4.8 Contracts and Commitments. Except as otherwise set forth in the SEC Documents, the Purchaser has not received notice of any (i) unresolved claim or threat that the Purchaser has breached any term or condition of any contract or agreement which is material to its business or operations ("Purchaser Material Contract"), or (ii) notice of repudiation or denial of the enforceability of any Purchaser Material Contract, in the case of clause (i) or (ii) which would have a material adverse effect on the Purchaser, and all Purchaser Material Contracts are in full force and effect and there is no default, nor any event which, with notice or lapse of time, or both, will become a default.

4.9 Accuracy of Reports. The Purchaser's most recent Form 10-K filed with the SEC, and all reports on Form 8-K and 10-Q required to

be filed by the Purchaser thereafter to the date of this Agreement under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), have been duly filed, were in substantial compliance with the requirements of their respective report forms, were complete and correct in all material respects as of the dates at which the information was furnished, and contained (as of such dates) no untrue statement of a material fact nor omitted to state a material fact necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

4.10 Investment. Purchaser is acquiring the Shares for its own account for investment purposes only and not with a view to distribution or resale thereof to the public. Purchaser will not transfer or otherwise dispose of the Shares except in accordance with applicable federal and state securities laws or the rules and regulations promulgated thereunder.

4.11 Tax-Free Reorganization. Purchaser intends that the purchase of all of the issued and outstanding shares of the Company pursuant to this Agreement shall constitute a tax-free reorganization within the meaning of Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code and corresponding provisions of state and local income tax law. Purchaser has no plan or intention to reacquire any of the voting common stock of the Purchaser issued to the Shareholders pursuant to this Agreement. Purchaser has no present plan or intention (i) to liquidate the Company; (ii) to merge the Company with or into another corporation other than a merger permitted by Treasury Regulation Section 1.368-2(j)(4); (iii) to sell or otherwise dispose of the shares of the Company's Common Stock acquired by Purchaser pursuant to this Agreement, except for transfers of stock to corporations controlled by Purchaser, or to cause the Company to issue additional shares of its stock or to engage in any merger that would result in Purchaser losing control of the Company after the purchase pursuant to this Agreement; or (iv) to cause the Company to sell or otherwise dispose of any of its assets, except for dispositions made in the ordinary course of business or transfers of assets to a corporation controlled by the Company. Following the purchase of shares of the Company's Common Stock pursuant to this Agreement, Purchaser intends to cause the Company to continue its historic business or use a significant portion of its historic business assets in a business. Purchaser is not an investment company as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code. Purchaser is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code. The rights of shareholders of Ashland Inc., under the Rights Agreement dated as of May 16, 1996, between Ashland Inc. and Harris Trust and Savings Bank, an Illinois banking corporation (the "Rights"), are not (and as of the Closing Date shall not have become) separately tradable or represented by any certificate other than the stock certificates for Ashland Inc. voting common stock itself. As of the time Ashland Inc.'s board of directors adopted the plan for the issuance of such Rights, the likelihood that such Rights would, at any time, be exercised was both remote and speculative. The principal purpose for the adoption of the Plan was to establish a mechanism by which Ashland Inc. could, in the future, provide shareholders with rights to purchase stock at substantially less than fair market value as a means of responding to unsolicited offers to acquire Ashland Inc.

4.12 No Broker or Finders Fee. Purchaser has not taken any action which would cause the Shareholders or the Company to become liable for any commission, fees, compensation or other expenses to any broker, agent, finder or their intermediary in connection with the negotiation of this Agreement or the consummation of the transactions contemplated hereby.

4.13 Full Disclosure. All documents, schedules and other materials delivered or to be delivered by or on behalf of the Purchaser to the Shareholders in connection with this Agreement and the transactions contemplated hereby are true and complete in all material respects. The information furnished by or on behalf of the Purchaser to the Shareholders in connection with this Agreement and the transactions contemplated hereby do not contain any untrue statement of a material fact or omit to state any material fact which may materially adversely affect the results of operation or the financial position of the Purchaser.

ARTICLE V
TAXES

5.1 Tax Representations and Warranties. The Shareholders hereby represent and warrant to the Purchaser that, except as set forth on Schedule 5.1, the statements contained in this Section 5.1 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Article V).

(A) The Company has timely filed all returns, declarations, reports, information returns, and statements ("Returns") required to be filed under federal, state, local, or foreign law, and all

such Returns were correct and complete in all material respects, and all taxes required to be paid by the Company have been paid or reflected as liabilities or reserved for on the Reviewed Financial Statements as adjusted for passage of time and events in the ordinary course of business through the Closing Date in accordance with the past custom and practice of the Company in preparing its returns and its reviewed financial statements. The Company is not the beneficiary of any extension of time within which to file any tax return. No claim has ever been made by an authority in a jurisdiction where the Company does not file Returns that it is or may be subject to taxation by that jurisdiction. There are no Security Interests on any of the assets of the Company that arose in connection with any failure (or alleged failure) to pay any tax. For purposes of this Section 5.1(a), the term "Security Interest" means any mortgage, pledge, lien, encumbrance, charge, or other security interest other than liens for taxes not yet due and payable or for taxes that the taxpayer is contesting in good faith through appropriate proceedings.

(B) The Company has withheld and paid all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party, and has paid over to the appropriate taxing authorities all amounts required to be so withheld and paid over.

(C) No director or officer (or employee responsible for tax matters) of the Company expects any authority to assess any additional taxes for any period for which Returns have been filed. There is no dispute or claim concerning any tax liability of the Company either (i) claimed or raised by any authority in writing, or (ii) as to which any of the Shareholders and the directors and officers (and employees responsible for tax matters) of the Company has knowledge based upon personal contact with any agent of such authority. Schedule 5.1 lists all federal, state, local, and foreign income tax returns filed with respect to the Company for taxable periods ended on or after January 31, 1995, indicates those Returns that have been audited, and indicates those Returns that currently are the subject of audit. The Company has delivered to the Purchaser correct and complete copies of all federal income tax Returns filed by the Company, examination reports received by the Company, and statements of deficiencies assessed against or agreed to by the Company for the periods ending on or after January 31, 1995.

(D) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(E) The Company has not filed a consent under Sec. 341(f) of the Code, concerning collapsible corporations. The Company has not made any payments, is not obligated to make any payments, nor is a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Code Sec. 280G by reason of consummation of the transactions contemplated by this Agreement. The Company has disclosed on its federal income tax returns all positions taken therein that could give rise to a substantial understatement of federal income tax within the meaning of Code Sec. 6662. The Company has no subsidiaries and has not been a member of an Affiliated Group within the meaning of Code Sec. 1502 filing a consolidated federal income tax Return, and does not have any liability for the Taxes of any person under Treas. Reg. Sec. 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract or otherwise.

(F) The unpaid Taxes of the Company did not, as of the Balance Sheet Date, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and tax income) set forth on the face of the Balance Sheet (rather than any notes thereto).

(G) The Shareholders are not foreign persons for purposes of Code Sec. 1445 and each shall certify such at Closing in the form of the affidavit substantially in the form of Exhibit 5.1(G).

(H) For purposes of this Agreement "Taxes" shall mean all taxes, charges, fees, levies, or other assessments of whatever kind or nature, including without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupancy, or property taxes, customs duties, fees, assessments, or charges of any kind whatsoever (together with any interest and any penalties, additions to tax or additional amounts) imposed by any taxing authority upon or payable by the Company.

5.2 Tax Indemnity. Subject (except in the case of tax fraud by the Company or the Shareholders) to the limitations set forth in Article XI, the Shareholders hereby agree to pay, indemnify, defend and hold the Purchaser harmless from and against any and all Taxes of the Company with respect to any period (or any portion thereof) up to and including the Closing Date, except for such Taxes shown as liabilities or

reserved for on the Balance Sheet ("Current Tax Liabilities"), together with all reasonable legal fees, disbursements and expenses related to said Taxes incurred by the Purchaser in connection therewith. Each Shareholder's liability hereunder shall be several and limited to the percentage of the total liability equal to such Shareholder's percentage of Shares on the Closing Date. Tax returns, audits and claims for indemnity under this section shall be handled as follows:

(A) The Shareholders shall prepare or cause to be prepared and filed all income tax Returns of the Company with respect to all taxable periods of the Company ending on or prior to the Closing Date and to pay any and all income taxes shown as due with respect to such income tax Returns and not previously paid or reserved for by the Company in accordance with past custom and practice of the Company in preparing its returns and its reviewed financial statements (other than the one and one-half percent (1-1/2%) California franchise tax imposed on the Company as an S corporation, which shall be paid by the Company). The Shareholders shall provide the Purchaser with copies of each such Income tax Return at least twenty (20) days prior to the due date for filing such returns and the Purchaser shall have the right to review and approve such Returns for fifteen (15) days following receipt thereof, provided, however, that the Purchaser's approval shall only be required to the extent such Returns are not prepared in a manner consistent with prior practice and shall not be unreasonably withheld.

(B) Following the Closing, the Purchaser shall be responsible for preparing or causing to be prepared all income tax Returns of the Company with respect to all taxable periods of the Company ending after the Closing Date and all other Returns required to be filed by the Company after the Closing Date. To the extent any Taxes shown due on such separate Returns may be indemnifiable by the Shareholders, (i) such Returns shall be prepared in a manner consistent with prior practice unless otherwise required by applicable Tax laws; (ii) the Purchaser shall provide the Shareholders with copies of each such Return at least 20 days prior to the due date for filing such return; and (iii) the Shareholders shall have the right to review and approve (which approval shall not be unreasonably withheld) such Returns for 15 days following receipt thereof. The Shareholders and the Purchaser shall attempt in good faith mutually to resolve any disagreements regarding such Returns prior to the due date for filing thereof. The Purchaser shall file or cause to be filed all such Returns and shall pay the Taxes shown due thereon; provided, however, that nothing contained in the foregoing shall in any manner terminate, limit or adversely affect any right of the Purchaser or the Shareholders to receive indemnification pursuant to any provision in this Agreement.

(C) All audit inquiries and proposed adjustments related thereto shall be handled as follows:

1. The Shareholders shall be responsible for all audit inquiries and proceedings with respect to any Returns relating to any period (or portion thereof) up to and including the Closing Date. If any audit notice is sent to the Purchaser, the Purchaser shall notify the Shareholders within ten (10) days after receipt of such notice. Such notice shall be sent to the Shareholders for purposes of this Article 5 at the address set forth in Section 13.3 below. Upon notice to the Purchaser within fifteen (15) days after receipt of the notice of such audit inquiry or proceeding from the Purchaser, the Shareholders shall assume (at the Shareholders' own cost and expense) control of such audit inquiry or proceeding. If the Shareholders fail to notify the Purchaser they are assuming control of such audit inquiry or proceeding within the period set forth above, the Purchaser shall assume control of such audit inquiry or proceeding at the Shareholders' expense. If any audit notice is sent to the Shareholders, the Shareholders shall notify the Purchaser within fifteen (15) days after receipt of such audit notice. The Shareholders shall keep the Purchaser advised regarding the status and progress of any such audit.

2. If, in connection with the audit of any Return, a proposed adjustment is asserted in writing to the Purchaser with respect to any Taxes for which the Shareholders are required to indemnify the Purchaser, the Purchaser shall notify the Shareholders of such proposed adjustment within ten (10) days of receipt of such proposed adjustment. Such notice shall be sent to the Shareholders, as provided above. Upon notice to the Purchaser within ten (10) days after receipt of the notice of such proposed adjustment from the Purchaser, the Shareholders shall assume (at the Shareholders' own cost and expense) control of the contest of such proposed adjustment. If the Shareholders fail to notify the Purchaser they are assuming control of such proposed adjustment within the period set forth above, the Purchaser shall assume control of such contest of such proposed adjustment at the Shareholders' expense. The Shareholders shall keep the Purchaser advised regarding the status and progress of any such contest.

(D) For federal and California income tax purposes, the taxable year of the Company shall end as of the close of the Closing Date and, with respect to all other Taxes, the Shareholders and the Purchaser will, unless prohibited by applicable Law, close the taxable period of the Company as of the close of the Closing Date. Neither the Shareholders nor the Purchaser shall take any position inconsistent with the preceding sentence on any Return. In any case where applicable law does not permit the Company to close its taxable year on the Closing Date or in any case in which a Tax is assessed with respect to a taxable period which includes the Closing Date (but does not begin or end on that day), then Taxes, if any, attributable to the taxable period of the Company beginning before and ending after the Closing Date shall be allocated (i) to the Shareholders for the period prior to and including the Closing Date, and (ii) to the Purchaser for the period subsequent to the Closing Date. Any allocation of income or deductions required to determine any Taxes attributable to any period beginning before and ending after the Closing Date shall be made by means of a closing of the books and records of the Company as of the close of the Closing Date, provided that exemptions, allowances or deductions that are calculated on an annual basis (including, but not limited to, depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period after the Closing Date in proportion to the number of days in each such period, the Purchaser shall provide the Shareholders with a schedule showing the computation of the allocation at least twenty (20) days prior to the due date for filing such a Return which includes the Closing Date. The Shareholders shall have the right to review such schedule, and the Purchaser and the Shareholders shall attempt in good faith mutually to resolve any disagreements regarding the determination of such allocation.

(E) To the extent any determination of tax liability of the Company, whether as the result of an audit or examination, a claim for refund, the filing of an amended return or otherwise results in any refund of Taxes paid attributable to (i) any period which ends on or before the Closing Date or (ii) any period which includes the Closing Date but does not begin or end on that day, any such refund shall belong to the Shareholders provided that in the case of any Tax refund described in clause (ii) of this Section 2.D, the portion of such Tax refund which shall belong to the Shareholders shall be that portion that is attributable to the portion of that period which ends on the Closing Date (determined on the basis of an interim closing of the books as of the Closing Date), and the Purchaser shall promptly pay any such refund, and the interest actually received thereon, to the Shareholders upon receipt thereof by the Purchaser. Any payments made under this Section 2.D shall be net of any Taxes payable with respect to such refund, credit or interest thereon (taking into account any actual reduction in Tax liability realized upon the payment pursuant to this Section 2D).

(F) Certain Information. The Purchaser, the Shareholders, and the Company agree to furnish or cause to be furnished to each other (at reasonable times and at no charge) upon request as promptly as practicable such information (including access to books and records) pertinent to the Company and assistance relating to the Company as is reasonably necessary for the preparation, review, audit and filing of any Return, the preparation for any audit or the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment or which may result in the Shareholders being liable under the indemnification provisions of this Article, provided that access shall be limited to items pertaining solely to the Company. The Shareholders shall grant the Purchaser access to all Returns filed with respect to the Company.

G. The indemnity provided for in this Section 5.2 shall be independent of any other indemnity provision in this Agreement (but, except in the case of tax fraud by the Company or the Shareholders, subject to the limitations on indemnification obligations set forth in Article XI hereof) and, anything in this Agreement to the contrary notwithstanding, shall survive until the expiration of the applicable statutes of limitation for the taxes referred to herein (as determined without regard to any extension of such statutes of limitation, unless the Shareholders shall have granted their prior written consent to such extension, which consent shall not be unreasonably withheld).

5.3 Tax Distributions. The Company shall distribute to the Shareholders an amount equal to fifty percent (50%) of the amount of the taxable income of the Company for the portion of calendar year 1998 through the date of Closing ("Tax Distributions"). For this purpose, "taxable income" means the net amount of all items of income, gain, deduction, loss and expense of the Company, whether or not separately stated (excluding from such calculation any tax-exempt income or nondeductible expenditures). Notwithstanding any other provision of this Agreement to the contrary and without any effect on the Purchase Price, (i) the Shareholders shall be permitted to cause the Company to make estimated Tax Distributions before the date of Closing, and (ii) within ten (10) days after receipt from the Shareholders of the proposed forms of federal and state income tax returns of the Company for the portion of 1998 through Closing, respectively,

either (A) Purchaser shall cause the Company to make additional Tax Distributions, if necessary, in the amount required such that the Shareholders shall have received all Tax Distributions to which they are entitled under the first sentence of this Section or (B) Shareholders shall contribute to the capital of the Company any excess of Tax Distributions received by them over the amount of all Tax Distributions to which they are so entitled.

ARTICLE VI
COVENANTS OF THE SHAREHOLDERS

6.1 Access to Property, Information, Etc. Until Closing, the Shareholders shall cause the Company to:

a) give to Purchaser and to its representatives reasonable access to all of the properties, documents, personnel, books, records and contracts pertaining to the Company;

b) furnish to Purchaser all data and information with respect to the assets and the business of the Company as Purchaser may from time to time reasonably request, except to the extent that the Shareholders or the Company is prohibited therefrom by any agreement or contract to which they are a party or of which they are a beneficiary, provided that the Shareholders shall use their best efforts to promptly obtain the waiver of such prohibition; and

c) authorize Purchaser and its representatives to reasonably consult with the personnel of the Company and its representatives concerning matters affecting the business and operations of the Company.

6.2 Operations of Business. Until Closing, the Shareholders shall cause the business and operations of the Company to be conducted in its usual and customary manner. Notwithstanding the preceding sentence, except as contemplated by this Agreement and the transactions contemplated thereby, the Shareholders shall not permit the Company to take any of the following actions without the prior written consent of Purchaser.

a) issue any shares of stock of the Company or any other securities convertible into or exchangeable for shares of stock of the Company or grant any options, warrants or other rights for the acquisition of or relating to the stock of the Company;

b) except for Tax Distributions, declare, set aside or pay any dividend (whether in cash, shares or property) or stock split or make any other payment or distribution to any of their shareholders or purchase or otherwise acquire for value any of their stock or other securities;

c) make any change in their certificates of incorporation, by-laws or other governing instruments; or merge or consolidate or obligate themselves to do so with or into any other entity;

d) borrow or agree to borrow any funds or incur, or assume or become subject to, whether directly or by way of guaranty or otherwise, any obligation or liability (absolute or contingent), except obligations and liabilities incurred under existing lines of credit or letters of credit and incurred in the ordinary course of business;

e) prepay any obligation having a fixed maturity of more than ninety (90) days from the date such obligation was issued or incurred; or

f) make any single capital expenditure or commitment in excess of $25,000 for additions to property, plant or equipment.

6.3 Maintenance and Operation of Properties. Until Closing, the Shareholders shall cause the Company to use their best efforts to maintain the properties and assets of the Company in good operating condition, with the exception of ordinary wear and tear and damage by fire or other casualty to the extent insured, and will operate such properties and assets in the ordinary course of business and consistent with past business practices.

6.4 Sales or Encumbrances of Assets. Except to the extent any such actions are undertaken in the ordinary course of business or pursuant to the terms of this Agreement, until Closing, the Shareholders shall prohibit the Company from selling, mortgaging, leasing, buying, exchanging, or otherwise acquiring, transferring or disposing of any amount of machinery or equipment and shall prohibit the Company from selling, transferring, mortgaging, pledging, exchanging, or voluntarily subjecting

to any Lien the other assets of the Company and Subsidiaries

6.5 Maintenance of Books. The Shareholders will cause the books and records of the Company to be maintained in the usual, regular and ordinary course consistent with past business practices.

6.6 Other Expenditures. Except pursuant to binding agreements in effect as of the date of this Agreement, and except for normal payments or increases in accordance with current salary programs in effect as of the date of this Agreement, the Shareholders shall cause the Company not to make or agree to make any increase in the rate of wages, salaries, bonuses, fringe benefits or other remuneration of any officer, employee or consultant, or pay any bonus or similar fee to any director, officer or employee or become a party to any employment contract, consulting agreement or other arrangement with any of its directors, officers or employees other than contracts which are terminable at will.

6.7 Directors, Officers and Employees. The Shareholders shall, upon written request by Purchaser made prior to the Closing, procure the resignations of the officers and directors of the Company elected or appointed prior to the Closing Date, which resignations shall be effective only upon the occurrence of the Closing. The Shareholders agree that all employment agreements between the Company and each Shareholder in effect immediately prior to the Closing shall be deemed terminated effective on the Closing. The Shareholders shall cause the Company to obtain the termination of the existing employment agreement between the Company and Elizabeth Li, and releases in the form of Exhibit 6.7 from the Shareholders and Elizabeth Li, which termination shall be effective only upon the occurrence of the Closing.

6.8 Confidentiality. The Shareholders and its officers, employees, agents and representatives will hold in strict confidence, and not use in any way except in connection with the transactions contemplated by the Agreement, information obtained from Purchaser or any affiliate of the Purchaser, or any officer, employee, affiliate, agent or representative of Purchaser except to the extent such information:

a) was in the public domain prior to being furnished to the Shareholders or the Company;

b) was known, as shown in the written records of the Shareholders of the Company prior to disclosure by Purchaser;

c) is required to be disclosed by the Shareholders or the Company, or any of their officers, agents, representatives or employees, in connection with any court action or any proceeding before a governmental or regulatory or administrative body (provided that prompt notice of such requirement is given to Purchaser to allow Purchaser to seek an appropriate protective order) or in connection with securing any consent or approval required hereunder upon the prior written notice to and approval by Purchaser;

d) is disclosed to the Shareholders or The Company by a third party who does not have an obligation of confidentiality to Purchaser; or

e) after being furnished to the Shareholders or The Company, entered the public domain through no fault or failure to act on their part or on the part of their officers, agents, representatives, or employees.

In addition, the Shareholders shall hold in strict confidence and shall not use in any manner detrimental to the Company any confidential and proprietary information of or relating to the Company.

6.9 Consents and Approvals. The Shareholders shall do the following:

a) use all reasonable efforts to obtain all consents from all parties required to be obtained by the Shareholders and the Company to carry out the transactions contemplated by this Agreement;

b) in a timely, accurate and complete manner, make or cause to be made, such required filings and prepare such required applications to any governmental agency with which such filings or applications are required to be made or whose approval or consent is required for the consummation by the Shareholders of the transactions contemplated by this Agreement;

c) provide to Purchaser such information concerning the Shareholders and the Company as Purchaser may require to make the filings and prepare the applications as specified in Section 7.2 (b); and

d) cooperate in good faith with any governmental

investigation and of witnesses, if requested.

6.10 Representations, Warranties and Schedules. The Shareholders shall disclose to Purchaser any material changes to representations and warranties of the Shareholders in Article III occurring on or before the Closing Date, and such representations, warranties, and schedules shall be deemed amended by such disclosures.

6.11 Other Agreements. At the Closing, Bernard A. Li shall execute and deliver to Purchaser a Consulting Agreement substantially in the form of Exhibit 6.11(a) hereto (the "Consulting Agreement"). Also at the Closing, Walter S. Arnold and Charles W. Hill shall execute and deliver to Purchaser Employment Agreements substantially in the forms of Exhibit 6.11(b) (the "Arnold Employment Agreement") and Exhibit 6.11(c) (the "Hill Employment Agreement"), respectively, hereto. The parties acknowledge that prior to the execution of this Agreement, Elsie Jordan has executed the agreement attached hereto as Exhibit 6.11(d).

6.12 Shareholder Waivers. Each Shareholder waives any rights such Shareholder may have pursuant to the Executive Shareholders Agreement dated November 1, 1995 among the Company and the Shareholders (and all other agreements among the Shareholders regarding the sale or transfer of shares of the Company), and agrees that such agreement shall be deemed terminated and revoked immediately prior to the Closing; provided, that if the Closing does not occur pursuant to this Agreement then such agreement shall continue in full force and effect.

6.13 Matters Relating To Ashland Stock. Each Shareholder agrees not to sell to a third party the Ashland Stock issued to him or it pursuant to this Agreement prior to the earliest date necessary for the transactions contemplated hereby to be treated as a "pooling" under applicable accounting rules; provided, however, that such restrictions shall not apply in the event the transaction is otherwise not eligible for such accounting treatment at the time of such sale. Each Shareholder agrees to indemnify and hold the Purchaser harmless from any Costs (as hereinafter defined) suffered by the Purchaser in the event the transaction contemplated hereby is not treated as a "pooling" as a result of the breach by that Shareholder of this Section 6.13; provided, that (i) such indemnity shall not be subject to the limitations of any other provision hereof, and (ii) the maximum liability for a Shareholder for a breach of this Section 6.13 shall be limited to the pro-rata portion of the Purchase Price received by such Shareholder hereunder.

6.14 Matters Relating to Vincent Motorcycles Black Eagle Trademarks. The Shareholders agree that prior to the earlier of the one year anniversary of the Closing Date or the date that public statements are made in connection with the use of the "Vincent Motorcycles Black Eagle" trademarks, Serial Nos. 75-045,352 and 75-210,945 (the "Trademarks"), the Shareholders will cause the Trademarks to be revised so that the eagle head portion of the Trademarks is materially different than the Trademarks in their current configurations when one is overlayed upon the other. The Purchaser shall have the right to approve any such revisions to the Trademarks, which approval shall not be unreasonably withheld, conditioned or delayed.

ARTICLE VII
COVENANTS OF PURCHASER

7.1 Duty of Confidentiality. Purchaser and its officers, employees, agents and representatives will comply with the terms and conditions set forth in the letter of agreement dated October 20, 1997 from Donaldson, Lufkin & Jenrette Securities Corporation through Jeffrey Raich as agent for the Company to the Purchaser through Rick Organ. 'Conditional End of Page' code here: keep together 5 lines.

7.2 Consents and Approvals. Purchaser shall do the following:

a) use all reasonable efforts to obtain all consents from all parties required to be obtained by Purchaser to carry out the transaction contemplated by this Agreement.

b) in a timely, accurate and complete manner, make or cause to be made such required filings and prepare such required applications to any governmental agency with which such filings or applications are required to be made or whose approval or consent is required for the consummation by Purchaser of the transactions contemplated by this Agreement;

c) provide to the Shareholders such information concerning Purchaser as the Shareholders may require to make the filings and prepare the applications as specified in Section 6.9(b); and

d) cooperate in good faith with the governmental

investigation and of witnesses, if requested.

7.3 Tax-Free Reorganization. Purchaser covenants that it shall not take any actions or position between the execution of this Agreement and the closing of the purchase of the Company as well as anytime thereafter which is inconsistent with the treatment and characterization of such purchase as a tax-free reorganization under Sections 368(a)(1)(A) and 368(a)(2)(E) of the Code (unless actions of the Shareholders subsequent to the Closing Date shall have caused the transaction to have failed to qualify as a tax-free reorganization). Purchaser shall cause the Company to, file all its Returns due with respect to or after the purchase consistent with treatment of the purchase as a tax-free reorganization under Sections 368(a)(1)(A) and 368(a)(2)(E) (unless actions of the Shareholders subsequent to the Closing Date shall have caused the transaction to have failed to qualify as a tax-free reorganization). Following the purchase, Purchaser shall cause the Company to continue its historic business or use a significant portion of its historic business assets in a business.

ARTICLE VIII
CONDITIONS PRECEDENT TO OBLIGATIONS TO CLOSE

8.1 Conditions Precedent for the Shareholders to Close. The obligations of the Shareholders to consummate the transactions contemplated by this Agreement are contingent and specifically conditioned upon the satisfaction at or before Closing of the following conditions:

a) Representations and Warranties at Closing. Except as contemplated by this Agreement, the representations and warranties of Purchaser contained in this Agreement shall continue to be true and accurate in all material respects as of the Closing Date.

b) Compliance With Conditions. Purchaser shall have performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement prior to or at the Closing.

c) Corporate Authority. The execution and delivery of this Agreement by Purchaser and the performance of its covenants and obligations under this Agreement shall have been duly authorized by all necessary corporate actions (including without limitation the approval of the Board of Directors of the Purchaser).

d) Absence of Litigation. At the Closing Date, no Actions shall have been instituted or shall be threatened in which it is sought to restrain or prohibit the consummation of this Agreement or the transactions contemplated herein or the transfer of title or use of any of the properties or assets of Company or in which it is sought to obtain substantial damages against the Shareholders in connection with this Agreement or the consummation of the transactions contemplated herein.

e) [Intentionally Omitted].

f) Closing Documents, Actions, Etc. All certificates, instruments and documents required to be delivered by or on behalf of Purchaser at Closing, and all actions to be taken by Purchaser at Closing, all as set forth in Section 9.2, shall have been delivered or taken.

g) Assignments and Consents. All necessary agreements, assignments and consents to the consummation by Purchaser of the transaction contemplated by this Agreement, or otherwise pertaining to matters covered by it shall have been obtained by Purchaser and delivered to the Shareholders on or prior to the Closing Date.

8.2 Conditions Precedent for Purchaser to Close. The obligation of Purchaser to consummate the transactions contemplated by this Agreement is contingent and specifically conditioned upon the satisfaction at or before Closing of the following conditions:

a) Representations and Warranties at Closing. Except as contemplated by this Agreement, the representations and warranties of the Shareholders contained in this Agreement shall continue to be true and accurate in all material respects as of the Closing Date except that if there occurs a breach (i) with respect to representations and warranties (other than those set forth in Sections 3.3 (Title to Shares) and 3.5 (Authority)) of the Shareholders, this condition shall be deemed satisfied unless such breach results in a Termination Event (as defined below) on the Company, and (ii) with respect to the representations and warranties of the Shareholders set forth in the first and last sentences of Section 3.2, Sections 3.3 and 3.5, this condition shall not be deemed satisfied for any breach thereof. For purposes of this Article, a "Termination Event" shall mean any changes or discoveries in the representations, warranties and schedules as disclosed by the Shareholders pursuant to Section 6.10 that in the reasonable judgment of the Purchaser

have resulted or are reasonably likely to result in increased expenses, losses or liabilities of the Company which will total in the aggregate One Million Three Hundred Seventy Five Thousand Dollars ($1,375,000) or more.

b) Compliance With Conditions. The Shareholders shall have performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement prior to the Closing.

c) Corporate Authority. The execution and delivery of this Agreement by the Shareholders and the performance of its covenants and obligations under this Agreement, shall have been duly authorized by all necessary actions.

d) Absence of Litigation. At the Closing Date, no Actions shall have been instituted in which it is sought to restrain or prohibit the consummation of this Agreement or the transactions contemplated herein or in which it is sought to obtain damages in excess of $250,000 against Purchaser in connection with this Agreement or the consummation of the transactions contemplated hereby.

e) Termination Event. At the Closing Date there shall have been no Termination Event with respect to the Company.

f) Lease Amendment. The Company shall have entered into a lease amendment with Inter-Market Investment Group (the "Partnership") for the lease of the Company's premises (the "Lease") pursuant to which (i) the term of the Lease shall be for six (6) months following the date of Closing, (ii) following such six-month term, the Lease shall be on a month-to-month basis and during such period may be terminated by either party with thirty (30) days written notice, (iii) in the event the current sublessee of the Company's premises (the "Sublessee") renews the sublease (the "Sublease") upon the expiration thereof, the Company shall pay monthly rent to the Partnership equal to the amount of the monthly rental payment due under the Lease less the amount of the monthly rent, if any, paid under the Sublease (the "Sublease Rent") (it being understood that the Company shall include in such payment the amount of Sublease Rent, if any, received by the Company under the Sublease), and (iv) all other terms and conditions of the Lease (including the amount of monthly rent) shall remain in full force and effect.

g) Closing Documents, Actions, Etc. All certificates, instruments and documents required to be delivered by or on behalf of the Shareholders at Closing, and all actions to be taken by the Shareholders at Closing, all as set forth in Section 9.1, shall have been delivered or taken.

h) Assignments and Consents. All necessary agreements, assignments and consents to the consummation by the Shareholders of the transactions contemplated by this Agreement, or otherwise pertaining to matters covered by it, shall have been obtained by the Shareholders and delivered to Purchaser on or prior to the Closing Date.

i) Resignation of Officers and Directors. To the extent requested in writing by Purchaser prior to Closing Date, each officer and director of the Company shall have submitted his or her resignation effective as of the Closing Date.

j) Termination of Employment Agreements. Each existing employment agreement with the Shareholders and Elizabeth Li to which the Company is a party shall have been terminated effective as of the Closing Date.

k) Life Insurance Policies. The Company's obligations to pay premiums for life insurance policies for the Shareholders shall have been terminated.

ARTICLE IX
ACTIONS TO BE TAKEN AT CLOSING

9.1 Actions of the Shareholders. At Closing, the Shareholders shall deliver the following certificates, instruments and documents and take the following actions:

a) deliver to Purchaser a certificate executed by each of the Shareholders, dated as of the Closing Date, certifying to the fulfillment of the conditions specified in Sections 8.2(a) and 8.2(b) substantially in the form of Exhibit 9.1(a) to this Agreement;

b) deliver to Purchaser an opinion of the counsel for the Shareholders, dated the Closing Date, substantially in the form of Exhibit 9.1(b), with such modifications as shall be reasonably acceptable to legal counsel from Purchaser;

(c) deliver to Purchaser: true copies, reviewed by Good, Swartz & Berns, the Company's independent certified public accountants, of the Company's financial statements for the fiscal year ended December 31, 1997, which financial statements shall have been reviewed and prepared in conformity with generally accepted accounting principles consistently applied so as to fairly present the financial condition and results of operations of the Company for such period;

(d) to the extent the Shareholders have received a written request for the resignations of directors of the Company, deliver to Purchaser the resignations of such directors;

(e) deliver to Purchaser stock certificates representing all the Shares, endorsed in blank or accompanied by stock powers duly executed in blank in proper form for transfer; and

(f) deliver to Purchaser the Consulting Agreement executed by Bernard A. Li and the Arnold Employment Agreement and the Hill Employment Agreement executed by Walter S. Arnold and Charles W. Hill, respectively.

9.2 Actions of Purchaser. At Closing, Purchaser shall deliver the following certificates, instruments and documents and take the following actions:

a) deliver to the Shareholders a certificate executed by the President of Purchaser or other executive officer of the Purchaser, dated as of the Closing Date, certifying to the fulfillment of the conditions specified in Sections 8.1(a) and 8.1(b);

b) deliver to the Shareholders duly adopted resolutions of the Board of Directors of Purchaser, certified by the Secretary or an Assistant Secretary of Purchaser, as of the Closing Date:

(i) authorizing and approving the execution and delivery of this Agreement and the purchase of the Shares by Purchaser and the consummation of the other transactions contemplated herein in accordance with the terms of this Agreement; and

(ii) authorizing and approving all other necessary and proper corporate actions to enable Purchaser to comply with the terms hereof;

c) deliver to the Shareholders a certificate of incumbency, dated as of the Closing Date, as to the officers of Purchaser executing this Agreement and any certificate, instrument or document to be delivered at Closing, executed by the President and attested by the Secretary or an Assistant Secretary of Purchaser;

d) deliver to the Shareholders a certificate from the Secretary of State of the state of incorporation of Purchaser dated not more than seven (7) days prior to the Closing Date, as to the legal existence and good standing of Purchaser under the laws of such state;

e) deliver to the Shareholders an opinion of counsel, dated the Closing Date, substantially in the form of Exhibit 9.2(e), with such modifications as shall be reasonably acceptable to legal counsel for the Shareholders; and

f) deliver to the Shareholders stock certificates representing the Ashland Stock equivalent to the value of the Purchase Price.

ARTICLE X
SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations and warranties pursuant to this Agreement shall expire one (1) year after the Closing Date and shall thereafter be of no force and effect.

ARTICLE XI
INDEMNIFICATION

11.1 Indemnification of Purchaser and the Company. Subject to the limitations set forth herein, the Shareholders shall indemnify and hold Purchaser, Company, and each of their shareholders, subsidiaries, affiliates, officers and directors harmless from, against, for and in respect of any and all damages, losses, settlement payments, obligations, liabilities, claims, costs and expenses ("Costs") incurred or paid by an indemnified party arising out of the breach of any representation, warranty or covenant of the Shareholders in this Agreement.

Notwithstanding the foregoing:

a) no indemnification shall be made with respect to any matter to the extent that insurance proceeds have been collected by the party to be indemnified with respect to such matter;

b) no payment under indemnification shall be provided, unless and until the aggregate amount of all such matters exceed Two Hundred and Fifty Thousand Dollars $250,000.00 (the "Deductible");

c) the aggregate amount of actual amounts paid by the Shareholders for breach of any representation, warranty or covenant of the Shareholders in this Agreement shall not exceed Two Million Dollars ($2,000,000.00) (the "Cap"); and

(d) each Shareholder's liability hereunder shall be several and limited to the percentage of the total liability equal to such Shareholder's percentage of Shares on the Closing Date.

11.2 Indemnification of the Shareholders. Subject to the limitations hereinafter set forth, Purchaser shall indemnify and hold the Shareholders and each of its subsidiaries, affiliates, officers and directors harmless from, against, for and in respect of any and all damages, losses, settlement payments, obligations, liabilities, claims, costs and expenses paid by any such indemnified party (i) by reason of the breach of any representation or warranty of Purchaser contained or made in connection with Sections 4.1 through 4.6 or (ii) as a result of third party claims against such party arising out of the operations of the Company after the Closing Date.

11.3 Rules Regarding Indemnification.

a) The obligations and liabilities of each Indemnifying party hereunder shall be subject to the following terms and conditions:

(i) The Indemnified party shall give prompt written notice to the indemnifying party of any claim which might give rise to a claim by the indemnified party against the indemnifying party based on the Indemnity agreements contained in Sections 11.1 and 11.2 hereof, stating the nature and basis of said claims and the amounts thereof, to the extent known.

(ii) In the event any action, suit or proceeding is brought against the indemnified party, with respect to which the Indemnifying party may have liability under the indemnity agreements contained in Sections 11.1 and 11.2 hereof, the action, suit or proceeding shall, upon the written acknowledgment by the indemnifying party that it is obligated to indemnify under such indemnity agreement, be defended (including all proceedings on appeal or for review) by the indemnifying party. The indemnified party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the indemnified party's own expense. In such cases, the indemnified party shall make available to the indemnified party and its attorneys and accountants all books and records of the indemnifying party relating to such proceedings or litigation and the parties hereto agree to render to each other such assistance as they may reasonably require of each other in order to ensure the proper and adequate defense of any such action, suit or proceeding.

(iii) With respect to any indemnification based upon Taxes pursuant to Article V by the Shareholders for a period before Closing, no Shareholder shall be liable as to any such indemnification matter for which the Purchaser does not give a written notification to the Shareholders within 30 days after the earlier of (A) receipt by the Purchaser from the relevant taxing authority of a notice of deficiency with respect to such Taxes or (B) expiration of three (3) years following the due date (including extensions) for filing the Return for such Taxes (or, if earlier, the expiration of three (3) years following the date of actual filing of such Return).

b) Neither the indemnified party nor the indemnifying party shall make any settlement of any claims without the written consent of the other party, which consent shall not be unreasonably withheld or delayed. In addition, if, within ten (10) days of receipt of notice of a proposed settlement amount, the indemnified party notifies the indemnifying party that the terms of such proposed settlement are unacceptable to the indemnified party then the indemnified party shall undertake the defense of the litigation and the liability of the indemnifying party shall be limited to the amount of the proposed settlement. Further, if for any reason the indemnified party determines that it is in its best interests to handle the defense of a claim for which It is entitled to indemnification from the indemnifying party, the indemnified party and indemnifying party shall endeavor in good faith to reach an agreement by which the indemnified party shall release the indemnifying party in consideration for the payment by the Indemnifying party to the Indemnified party of the estimated value of the claim.

c) The Purchaser's sole and exclusive remedy against any Shareholder for any breach of a representation, warranty, covenant or other obligation made in or imposed by this Agreement with respect to such Shareholder shall be a claim for indemnification subject to the limitations set forth in this Article XI. Notwithstanding anything herein to the contrary, the Cap shall not apply (i) to the breach by a Shareholder of the representations and warranties contained in the first and last sentences of Section 3.2 (Capitalization of the Company) and in Sections 3.3 (Title to Shares) and 3.5 (Authority), or (ii) in the event the Company has borrowed or agreed to borrow any funds under a new bank line of credit or similar arrangement (that is, other than under lines of credit or other agreements for indebtedness in effect as of the date of the Current Financial Statements), and paid or distributed the proceeds to or for the benefit of the Shareholders in violation of this Agreement; provided, however, that in the event of any such breach or event described in clauses (i) and (ii) of this subsection (c), the Purchaser's claim for indemnification shall be limited to the amount of proceeds received by such Shareholder for the purchase of such Shareholder's Shares.

d) With respect to any matter for which indemnification has been provided hereunder the indemnified party hereby covenants and agrees to cooperate with the indemnifying party to assign any of its rights under any Insurance policy in the indemnified party's name against a loss covered by such policy.

(e) Liability for indemnification obligations hereunder shall be subject to reduction for any tax benefit as and when realized in connection with the loss or damage suffered by such person which forms the basis of the indemnifying person's liability hereunder.

(f) Notwithstanding anything in this Agreement (including without limitation the indemnity set forth in Schedule 3.9), (i) in no event shall the liability of a Shareholder for breach of any or all of the warranties, representations and/or covenants of such Shareholder in this Agreement (including without limitation such indemnity and the indemnities in Article V and this Article XI) exceed the Purchase Price received by such Shareholder, except in the case of actual fraud by such Shareholder, and (ii) with respect to any obligation of the Shareholders for the breach of a representation, warranty or covenant in this Agreement (including without limitation any agreement to indemnify and Schedule 3.9) as to which the Cap is not applicable, (I) the liability of each Shareholder shall be several, (II) where and to the extent the breach arises from an action of one or more of the Shareholders, each Shareholder shall be liable only for his breach, and (III) in the case of a breach not described in the preceding clause (II), any amount recoverable by Purchaser shall only be recoverable from the Shareholders pro-rata in proportion to their holdings of Company stock.

11.4 Tax Benefits. In determining the amount of any claims of Purchaser ("Purchaser Claims"), such amount shall be reduced by the amount of any tax benefit effects (collectively, the "Tax Effects") accruing to Purchaser related to the Purchaser's Claims or to the payments made pursuant to such Claims. Tax Effects shall include without limitation any tax refunds not shown as an asset on the reviewed balance sheet of the Company prepared as of December 31, 1997 which are obtained for any tax periods ending on or prior to the Closing Date, whether or not directly related to any Purchaser Claims or to any payment made pursuant to such Claims, other than a tax refund to the extent attributable solely to a carryback to a period ending on or before the Closing Date of a tax item from a taxable period beginning on or after the Closing Date. The Tax Effects shall be determined by taking into account all facts and circumstances existing at the Closing Date through the future date(s) to which such benefits run (to the extent of the present value thereof, discounted at the applicable short term applicable federal rate, as of the date of such indemnification). For purposes of determining the time or times at which Tax Effects shall be taken into account to reduce any indemnification claims hereunder, the parties agree that Tax Effects shall reduce the amount of any indemnification claims under this Article XI only if, as and when actually realized by Purchaser. In the event a Shareholder has paid Purchaser for an indemnification claim which is later subject to reduction due to a Tax Effect, Purchaser shall promptly pay such amount to the Shareholder at the time Purchaser if, as and when such Tax Effect is actually realized by the Purchaser.

ARTICLE XII
TERMINATION OF AGREEMENT

12.1 Termination. This Agreement may be terminated prior to the Closing as follows:

a) At the election of the Shareholders or the Purchaser, if for any reason the Closing has not occurred on or before February 15, 1998, (time being of the essence in respect of the transactions contemplated by this Agreement);

b) At the election of the Purchaser or the Shareholders, if any legal proceeding is threatened or commenced by any governmental or regulatory body or person (other than the Shareholders or the Purchaser or any affiliate of the Shareholders or the Purchaser) to restrain, modify or prevent the carrying out of the transactions contemplated under this Agreement and either Purchaser or the Shareholders, as the case may be, reasonably and in good faith deems it impractical or inadvisable to proceed in view of such legal proceeding or threat thereof;

c) At any time on or prior to the Closing Date, by written consent of the Purchaser and the Shareholders;

d) By the Shareholders, if there has been: (i) a material misrepresentation on the part of Purchaser of Purchaser's representations and warranties contained in this Agreement ; or (ii) a material breach by Purchaser of any covenant or agreement of Purchaser contained in this Agreement; or

e) By Purchaser, if there has been: (i) a material misrepresentation on the part of the Shareholders of the representations and warranties of the Shareholders contained in this Agreement where such misrepresentation constitutes a Termination Event (as defined in Section 8.2(a)); or (ii) a material breach by the Shareholders of any covenant or agreement of the Shareholders contained in this Agreement.

12.2 Survival. In the event this Agreement is terminated pursuant to Section 12.1 and the transactions contemplated hereby are not consummated as described above, this Agreement shall be of no further force and effect, except for the provisions of Sections 6.8, 7.1 and 13.4, which shall survive in accordance with their own respective terms.

12.3 Termination Upon Default or Abandonment If this Agreement terminates as a result of a breach by a party, then in addition to any other remedy which may be afforded to the non-breaching party, such non-breaching party shall be entitled to receive from the breaching party reimbursement for all reasonable costs and expenses (including attorney's fees) incurred by such non-breaching party incident to this Agreement and the transactions contemplated herein.

12.4 Termination Fee. In recognition of the considerable time and expense that the Shareholders have expended and will expend in entering into this Agreement and the other transactions contemplated hereby, and in order to induce the Shareholders to enter into such transactions, in the event the Merger is not consummated due to the failure by the Purchaser to meet the conditions set forth in Article VIII above or the failure by the Purchaser to use its commercially reasonable efforts to meet such conditions, the Purchaser shall promptly pay to the Shareholders (pro-rata) in cash the sum of One Million Dollars ($1,000,000) (the "Termination Fee"), which fee shall be full and complete compensation to the Shareholders as a result of such failure and, upon the making of such payment (provided such payment is timely made in accordance with the terms of this Agreement), there shall be no further obligation to the Shareholders by the Purchaser pursuant to this Agreement; provided, however, the Termination Fee shall not be paid in the event the Merger is not consummated as a result of: (i) a Termination Event (as defined in Section 8.2(a), or (ii) the discovery by Purchaser of facts not known to Purchaser as of the effective date of this Agreement that indicate that the Shareholders or the Company have violated existing law with respect to the conduct of the Company's business which violation (a) results in or could reasonably be expected to result in increased expenses or liabilities of the Company which total in the aggregate $1,375,000 or more, or (b) if such violation is not quantifiable as to dollar amount, results in or could reasonably be expected to result in a substantial detrimental effect on the business of the Company. In the event Purchaser determines that the Termination Fee is not payable pursuant to clause (i) or (ii) above, it shall provide written notice of such determination to the Shareholders within five (5) business days following demand therefor by the Shareholders, which notice shall set forth with specificity the basis upon which Purchaser has made such termination (including all facts available to Purchaser with respect thereto). The parties hereto acknowledge and agree that, other than as provided in this Section 12.4, the Purchaser's obligation to pay the Termination Fee shall not be subject to other conditions precedent to Purchaser's obligations under this Agreement.

ARTICLE XIII
MISCELLANEOUS

13.1 Further Assurances. Each of the parties shall execute such documents and other papers and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and the transactions contemplated hereby, including but not limited to, such further instruments of assignment, transfer, conveyance, endorsement,

direction or authorization and other documents as Purchaser or its counsel may request. In order to perfect title of Purchaser and its successors and assigns to the Shares or as the Shareholders, or its counsel may reasonably request in order to effectuate the purposes of this Agreement.

13.2 No Other Beneficiaries. This Agreement is being made and entered into solely for the benefit of Purchaser and the Shareholders and neither Purchaser nor the Shareholders intends hereby to create any rights in favor of any other person, as a third party beneficiary of this Agreement or otherwise.

13.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered by personal delivery, mail, overnight courier or telecopier. Such communications shall be deemed given, if by personal delivery, when received if by mail, when mailed by certified or registered mail (postage prepaid and return receipt requested); or if by overnight courier or telecopier, when delivered to such courier or sent by telecopier (provided that the party giving the notice has confirmation of such delivery or sending), and in each case, addressed to the party to whom notice is to be given as set forth below:

To the Shareholders: Bernard A. Li
P.O. Box 8705
Rancho Santa Fe, California 92067

Charles W. Hill
1555 Pearl Heights Road
Vista, California 92083

Walter S. Arnold
25595 Madero Way
Temecula, California 92590

To the Company: Eagle One Industries
5927 Landau Court
Carlsbad, California 92008

To Purchaser: The Valvoline Company,
a division of Ashland Inc.
3499 Blazer Parkway
Lexington, Kentucky 40509
Attn: President

Any party may, by notice given in accordance with this Section to the other parties, designate another address or person for receipt of notices hereunder.

13.4 Costs and Expenses. Except as otherwise provided in this Agreement, the Shareholders and Purchaser shall each pay their own expenses incident to this Agreement and the transactions contemplated herein, including, without limitation, fees of attorneys and accountants, irrespective of whether such transactions shall be consummated.

13.5 Access After Closing. After the Closing, Purchaser shall give the Shareholders reasonable access to the personnel and the books and records of the Company, and cooperate and assist the Shareholders, to enable the Shareholders to perform the functions described in Section 1.2 or to respond to any governmental audit or investigation, any litigation or claim, or any tax-related matters which relate to activities of the Company prior to Closing.

13.6 Employee Plans.

a) Qualified Plan Termination. The Shareholders hereby jointly and severally agree to take all necessary, proper, convenient and legally permissible actions to cause the Company to freeze benefit accruals under any other plan qualified under section 401(a) of the Code (collectively referred to as "Qualified Plans") that it maintains within a reasonable time prior to the Closing Date and commence procedures designed to terminate the Qualified Plans as soon as reasonably possible thereafter. Such actions to freeze benefit accruals and terminate the Qualified Plans shall include, but not be limited to, the adoption of plan amendments and/or Board of Directors resolutions the making of required notifications under the terms of the Qualified Plans and under law and the filing for a favorable determination letter with the IRS upon the Qualified Plans' termination. The Shareholders shall be jointly and severally liable for completing all actions required to terminate the Qualified Plans, including any such actions and related activities which occur after the Closing Date. Purchaser hereby agrees to reasonably cooperate with the Shareholders to provide access to it of any information and other materials it may reasonably require to accomplish the termination of the Qualified Plans. In connection with the termination of the qualified Plans, all participants thereunder who are affected by the termination shall become completely vested in their accrued benefits thereunder, to the extent

funded.

(b) To the extent allowed by law and by the terms of the benefit plans themselves, the benefits made available by the Company to its employees as of the Closing Date shall continue to be made available to the Company's employees on the same terms and conditions for the term of their continued employment by the Company or, alternatively with respect to life, long-term disability and medical benefits, Purchaser may cause the Company to make available instead the corresponding life, long-term disability and medical benefit plans afforded generally to employees of Ashland Inc.

13.7 Notices Regarding Insured Claims. Purchaser shall provide the Shareholders with timely written notice of any claim for which insurance coverage is provided under the policies listed on Schedule for occurrences prior to the Closing Date that might reasonably exceed the applicable primary policy limit. Upon receipt of such notice, the Shareholders shall timely notify the appropriate insurance carrier of such claim and the parties agree to cooperate with each other with respect to the filing of any such claim.

13.8 Entire Agreement. This Agreement, including the Exhibits and Schedules and such other related agreements, contains the entire agreement among the parties with respect to the purchase of the Shares and related transactions, and supersedes all prior agreements, written or oral, with respect thereto (including without limitation representations, warranties and covenants contained in materials previously delivered by the Shareholders to the Purchaser).

13.9 Waivers and Amendments. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived only by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver of any partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege. From time to time prior to the Closing Date, the Shareholders shall promptly supplement or amend any schedules hereto which would have been required to be set forth or described in such a schedule which is necessary to correct any information in a schedule which has become inaccurate.

13.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflict of laws provisions of such jurisdiction.

13.11 Jurisdiction. Jurisdiction and venue in an action against a Shareholder (other than a counterclaim or cross-claim in a proceeding filed by a Shareholder in another jurisdiction or venue) in any matter arising out of or connected with the transactions contemplated by this Agreement or documents or instruments executed or delivered in connection therewith shall be proper only where such Shareholder (i) resides, (ii) is domiciled, or (iii) carries on an active trade or business directly, through an agent, or through an entity in which such Shareholder holds more than ten percent (10%) of the voting power (provided, however, that any activity by a Shareholder on behalf of the Company or Purchaser shall not be considered to be so carrying on such a trade or business). Circumstances where a Shareholder shall be considered to be carrying on a trade or business shall include, but shall not be limited to, rendering material personal services as an employee or independent contractor only where such Shareholder is physically present when performing such services. Jurisdiction and venue shall be proper in all cases in San Francisco, Los Angeles, Orange and San Diego Counties, California.

13.12 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their legal successors and representatives. This Agreement shall not be assignable except by operation of law by the Purchaser or the Shareholders without the prior written consent of the other party hereto.

13.13 Waiver of Conflict. The Purchaser acknowledges that the Company and the Shareholders have been represented by Sheppard, Mullin, Richter & Hampton LLP in connection with this transaction and in other matters, and the Purchaser hereby agrees to waive on behalf of itself and the Company any and all conflicts of interest and privileges that may apply to any future representation by such firm of the Company, the Shareholders or their respective affiliates in connection with disputes arising from the transactions contemplated hereby or in connection with any other matters.

13.14 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto. Delivery of an executed counterpart of the

signature page to this Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement; provided, that any party so delivering an executed counterpart by facsimile shall thereafter promptly deliver a manually executed counterpart of this Agreement to the other party, but failure to deliver such manually executed counterpart shall not affect the validity, enforceability and binding effect of this Agreement.

13.15 Exhibits and Schedules. The Exhibits and Schedules are a part of this Agreement as if fully set forth herein. All references herein to sections, subsections, clauses, exhibits and schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

13.16 Headings. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

13.17 Notices Regarding Representations, Warranties and Covenants.

a) The Shareholders shall notify Purchaser promptly of any event or occurrence prior to Closing that would cause any representation or warranty set forth in Article III or V of this Agreement or any covenant of the Shareholders set forth in Article V or VI of this Agreement to be untrue and incorrect.

b) Purchaser will notify the Shareholders promptly of any event or occurrence prior to Closing that would cause any representation of warranty set forth in Article IV of this Agreement or any covenant of Purchaser set forth in Article VII of this Agreement to be untrue or incorrect.

IN WITNESS WHEREOF, the Shareholders, the Purchaser and the Company have or have caused their respective authorized representatives to execute this Agreement effective as of the date first above written.

ASHLAND INC., through its division
known as THE VALVOLINE COMPANY

By: /s/ James J. O'Brien

Title: Senior Vice President

THE LI FAMILY TRUST

/s/ Bernard A. Li

By: Bernard A. Li, Trustee

/s/ Bernard A. Li

BERNARD A. LI

/s/ Charles W. Hill

CHARLES W. HILL

/s/ Walter S. Arnold

WALTER S. ARNOLD

EGL-1, INC., a California corporation

By: /s/ Bernard A. Li

Title: President

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of February 2, 1998 by and between ASHLAND INC., a Kentucky corporation (the "Company"), and each of the persons whose names appear on the signature page attached hereto (each, a "Holder" and collectively, the "Holders").

WHEREAS, pursuant to an Agreement of Merger and Plan of Reorganization dated as of January 21, 1998 (the "Merger Agreement"), by and among the Company, the Holders, and EGL-1, Inc., a California corporation, the Holders have acquired shares of common stock, $1.00 par value (the "Common Stock"), of the Company (collectively, and together with any shares of Common Stock of the Company issued to a Holder as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, any shares of Common Stock held by the Holders, the "Registrable Securities");

WHEREAS, in order to induce the Holders to acquire the Registrable Securities, the Company and the Holders have agreed to enter into this Agreement; and

WHEREAS, it is intended by the Company and the Holders that this Agreement shall become effective immediately upon the acquisition by the Holders of the Registrable Securities;

NOW, THEREFORE, in consideration of the premises, promises and the mutual covenants contained herein and in the Merger Agreement, the Company hereby agrees as follows:

1. Registration Rights.

(a) Grant of Required Registration Right. The Company agrees (i) to prepare and file a registration statement (the "Registration Statement") on Form S-3 (or other applicable form) with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), no later than sixty (60) days following the Closing (as defined in the Merger Agreement) covering the registration for resale of the Registrable Securities, and (ii) use its best efforts to cause the Registration Statement to become effective under the Securities Act no later than May 1, 1998 (the "Registration Date"). The Company shall use its best efforts to cause the Registration Statement to be effective continuously for a period of sixty (60) days beginning with the Registration Date (the "Registration Period"); provided, however, that in the event the Registration Statement does not become effective on such date, the Registration Period shall commence on such later date as the Registration Statement becomes effective (and provided further, that such deferral of the Registration Period shall not excuse any breach by the Company of its obligations hereunder).

(b) Exception as to Timing. Notwithstanding any other provision of this Agreement, the Company may postpone or suspend the filing or effectiveness of the Registration Statement if the Company shall furnish to the Holders a certificate signed by the Chief Financial Officer of the Company (the "Certificate") stating that, in the good faith judgment of the Chief Financial Officer of the Company, it would be detrimental to the Company and its shareholders for the Registration Statement to be filed or the effectiveness thereof continued and it is therefore necessary to defer or suspend, as applicable, the filing or effectiveness of the Registration Statement. Upon receipt of the Certificate, each Holder shall cease sales of the Registrable Securities until notified by the Company that the Registration Statement is or has remained effective. The Company shall have the right to defer or suspend such filing or effectiveness for a maximum of two periods as follows: (i) a period of not more than seven (7) consecutive days and a period of not more than thirty (30) consecutive days; provided, however, that, with respect to the thirty-day period described above, the Company shall use its commercially reasonable efforts to terminate as soon as practicable the deferral or suspension of the effectiveness of the Registration Statement prior to the expiration of such period; and provided, further, that notwithstanding anything to the contrary set forth herein, the Company shall not exercise any right of deferral or suspension of the effectiveness of the Registration Statement for the ten consecutive trading days commencing on the Registration Date (or, if later, the date the Registration Period actually commenced). The length of the Registration Period (as defined above) shall be increased by the length of any deferral or postponement taken by the Company hereunder.

2. Registration Procedures. Pursuant to its obligations hereunder,

the Company shall:

(a) prepare and file with the SEC the Registration Statement and use its best efforts to cause the Registration Statement to become effective and remain effective as provided above;

(b) prepare and file with the SEC such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective as provided above and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all securities covered by the Registration Statement (including prospectus supplements with respect to the sales of securities from time to time in connection with a registration statement pursuant to Rule 415 of the Commission);

(c) supply copies of the Registration Statement and any amendments thereto (it being understood that for purposes of this Agreement, reports filed under the Exchange Act shall not constitute part of, or an amendment to, the Registration Statement) to each Holder prior to filing such document with the SEC, and reasonably consult with such persons and their counsel with respect to the form and content of such filing. The Company will immediately amend such Registration Statement to include such reasonable changes as the Holders reasonably agree should be included therein;

(d) furnish to the Holders such numbers of copies of a summary prospectus or other prospectus, including a preliminary prospectus or any amendment or supplement to any prospectus, in conformity with the requirements of the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate the public sale or other disposition of the securities owned by the Holders;

(e) use its best efforts to register and qualify the securities covered by the Registration Statement under such other securities or blue sky laws of such jurisdictions as the Holders shall reasonably request, and do any and all other acts and things which may be necessary or advisable to enable such Holders to consummate the public sale or other disposition in such jurisdictions of the securities owned by such Holders, except that the Company shall not for any such purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, to file therein any general consent to service of process or to be subject to any escrow or other similar conditions;

(f) use its best efforts to list the Registrable Securities on any securities exchange on which any securities of the Company are then listed, if the listing of such securities is then permitted under the rules of such exchange;

(g) enter into and perform its obligations under an underwriting agreement, if the offering is an underwritten offering, in usual and customary form, with the managing underwriter or underwriters of such underwritten offering;

(h) notify the Holders at any time when a prospectus relating thereto covered by the Registration Statement is required to be delivered under the Securities Act, of the happening of any event of which it has knowledge as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(i) immediately notify each Holder (a) of the issuance by the SEC of any stop order or order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose, or (b) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction, or the initiation of any proceedings for such purpose. The Company, with the reasonable cooperation of the Holders, shall make every reasonable effort to contest any such proceedings and to obtain the withdrawal of any such order at the earliest possible time;

(j) make earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder generally available to its security holders as soon as

reasonably practicable, but in no event later than 45 days after the end of any 12-month period commencing at the end of any fiscal quarter in which Registrable Securities are sold;

(k) take such other actions as shall be reasonably requested by any Holders to facilitate the registration and sale of the Registrable Securities.

3. Exclusion of Certain Securities in Registration Statement; No Other Registration Statements. The Company hereby represents, warrants and agrees that other than the Registrable Securities it shall not allow or permit any other securities of the Company to be included in the Registration Statement; provided, however, that other securities may be included in the Registration Statement at the request of the Company and with the prior written consent of all the Holders, which consent shall not be unreasonably withheld.

4. Expenses. All expenses incurred in any registration of the Holder's Registrable Securities under this Agreement shall be paid by the Company, including, without limitation, printing expenses, fees and disbursements of counsel for the Company, the reasonable fees and disbursements of one counsel for the Holders (which counsel the Company may request be the Company's counsel if such counsel is reasonably acceptable to the Holders and, if not, such counsel shall be selected by the Holders; provided, however, that in the event the Holders retain separate counsel, the reasonable fees and expenses to be reimbursed shall not exceed $1,000, expenses of any audits to which the Company shall agree or which shall be necessary to comply with governmental requirements in connection with any such registration and expenses of complying with the securities or blue sky laws of any jurisdictions pursuant to Section 2(d); provided, however, the Company shall not be liable for any discounts or commissions to any broker-dealer or underwriter selected by any Holder. At such time as the Holders are permitted to resell the Registrable Securities pursuant to Rule 144 under the Securities Act, the Company shall bear the expense relating to any legal opinion requested by the transfer agent of the Company in order to effect such resale.

5. Indemnification,

(a) Company Indemnity. The Company shall indemnify and hold harmless each Holder, the affiliates, officers, directors and partners of each Holder, and each person, if any, who controls such Holder (within the meaning of the Securities Act or the Securities Exchange Act of 1934 (the "Exchange Act")), against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") : (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a 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, (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, or any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law, and in each case, the Company shall reimburse the Holder, affiliate, officer or director or partner or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable to any Holder in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by the Holder or any other officer, director or controlling person thereof. The Company will also indemnify selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act or the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders of Registrable Securities.

(b) Holder Indemnity. The Holder shall indemnify and hold harmless the Company, its affiliates, its counsel, officers, directors, shareholders and representatives, any underwriter (as defined in the Securities Act) and each person, if any, who controls the Company or the underwriter (within the

meaning of the Securities Act or the Exchange Act) , against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or any state securities law, and in each case the Holder shall reimburse the Company, affiliate, officer or director or shareholder, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; insofar as such losses, claims, damages or liabilities (or actions and respect thereof) arise out of or are based upon a violation which occurs in reliance upon and in conformity with written information furnished expressly by such Holder or any other officer, director or controlling person thereof to the Company in connection with the registration of Registrable Securities. Notwithstanding the above, the Holder's indemnification shall be limited to the dollar value of the securities being registered for the account of the Holder.

(c) Notice; Right to Defend. Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action (including any governmental action) , such indemnified party shall, if a claim in respect thereof is to be made against any indemnifying party under this Section 5, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and if the indemnifying party agrees in writing that it will be responsible for any costs, expenses, judgments, damages and losses incurred by the indemnified party with respect to such claim, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel in combination with other parties who have entered into substantially identical agreements, with the fees and expenses to be paid by the indemnifying party, if the indemnified party based upon advice of counsel reasonably believes that representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Agreement only if and to the extent that such failure is prejudicial to its ability to defend such action, and the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Agreement. There can be no settlement without the indemnifying party's prior consent.

(d) Contribution. If the indemnification provided for in this Agreement is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other hand in connection with the statements or omissions which resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations. The relevant fault of the indemnifying party and the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Notwithstanding the foregoing, the amount the Holder shall be obligated to contribute pursuant to the Agreement shall be limited to an amount equal to the proceeds to the Holder of the Registrable Securities sold pursuant to the Registration Statement which gives rise to such obligation to contribute (less the aggregate amount of any damages which the Holder has otherwise been required to pay in respect of such loss, claim, damage, liability or action, or any substantially similar loss, claim, damage, liability or action arising from the sale of such Registrable Securities).

(e) Survival of Indemnity. The indemnification provided by this Agreement shall be a continuing right to indemnification and shall survive the registration and sale of any Registrable Securities by any person entitled to indemnification

hereunder and the expiration or termination of this Agreement.

6. Reports Under Exchange Act. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration generally or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep adequate public information available, as those terms are understood and defined in SEC Rule 144, at all times;

(b) use all reasonable commercial efforts to qualify, and maintain qualification, for registration on Form S-3;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, promptly upon request (i) a written statement by the Company as to whether or not it has complied with the reporting requirements of SEC Rule 144, the Securities Act and the Exchange Act, or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3, (ii) a copy of the most recent annual and/or quarterly report of the Company and such other reports and documents so filed by the Company as may be reasonably requested, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

7. Remedies.

(a) Time is of the Essence. The parties agree that time is of the essence of each of the covenants contained herein and that, in the event of a dispute hereunder, this Agreement is to be interpreted and construed in a manner that will enable the Holders to sell their Registrable Securities as quickly as possible. Any delay on the part of any party not expressly permitted under this Agreement shall be deemed a material breach of this Agreement.

(b) Remedies Upon Default or Delay. The Company acknowledges the breach of any part of this Agreement may cause irreparable harm to the Holder and that monetary damages alone may be inadequate. The Company therefore agrees that the Holder shall be entitled to injunctive relief or such other applicable remedy as a court of competent jurisdiction may provide. Nothing contained herein will be construed to limit a Holder's right to any remedies at law, including recovery of damages for breach of any part of this Agreement.

8. No Inconsistent Agreements. The Company will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that materially adversely affects the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof.

9. Notices. Any notice, request, instruction or other document to be given hereunder by any party hereto to another party hereto shall be in writing, shall be deemed to have been duly given or delivered when delivered personally or telecopied (receipt confirmed, with a copy sent by reputable overnight courier), or one business day after delivery to a reputable overnight courier, postage prepaid, to the address of the party set forth below such person's signature on this Agreement or to such address as the party to whom notice is to be given may provide in a written notice to each of the other parties to this Agreement, a copy of which written notice shall be on file with the Secretary of the Company.

10. Successors and Assigns. Except as otherwise expressly provided herein, this Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the Holder.

11. Amendment; Waiver and Termination. This Agreement may be amended, and the observance of any term of this Agreement may be waived, but only with the written consent of the company and the Holder. No delay on the part of any party in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any party of any right, power or remedy preclude any other or further exercise thereof , or the exercise of any other right, power or remedy.

12. Counterparts; Facsimile Delivery. One or more counterparts of this Agreement may be signed by the Parties, each of which shall be an original but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of the signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement; provided, that any party so delivering an executed counterpart by facsimile shall thereafter promptly deliver a manually executed counterpart of this Agreement to the other party, but failure to deliver such manually executed counterpart shall not affect the validity, enforceability and binding effect of this Agreement.

13. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of California, without giving effect to conflicts of law principles.

14. Invalidity or Provisions. If any provision of this Agreement is or becomes invalid, illegal or unenforceable. in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

15. Headings. The headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

ASHLAND INC.

By: /s/ James J. O'Brien

Name: James J. O'Brien
Position: Senior Vice President
Address: 3499 Blazer Parkway
Lexington, Kentucky 40509

THE LI FAMILY TRUST

/s/ Bernard A. Li

Bernard A. Li, Trustee
Address: P.O. Box 8705
Rancho Santa Fe, CA 92067

/s/ Charles W. Hill

Charles W. Hill
Address: 1555 Pearl Heights Road
Vista, CA 92083

/s/ Walter S. Arnold

Walter S. Arnold
Address: 25595 Madero Way
Temecula, CA 92590

Exhibit 5

March 19, 1998

Ashland Inc.
1000 Ashland Drive
Russell, KY 41169

Dear Sirs:

As Senior Vice President, General Counsel and Secretary of Ashland Inc., I have examined and am familiar with the Second Restated Articles of Incorporation and the By-laws of Ashland, both as amended. I am also familiar with the corporate proceedings taken by the Board of Directors of Ashland on January 28, 1998 to authorize the filing with the Securities and Exchange Commission of a Form S-3 Registration Statement covering up to 482,575 shares of Ashland Common Stock, $1.00 par value (the "Common Stock"), together with the Rights attached thereto ("Rights") evidenced by the Common Stock to the extent provided in Ashland's Shareholder Rights Agreement dated May 15, 1996, as amended. I have also examined originals or copies certified or otherwise identified to my satisfaction of such corporate records and other documents as I have deemed necessary or appropriate for purposes of this opinion.

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

1. Ashland is a duly organized and validly existing corporation under the laws of the Commonwealth of Kentucky.

2. All necessary corporate action on the part of Ashland has been taken to authorize the registration of the Common Stock and the Rights. Such shares of Common Stock are validly issued, fully paid and nonassessable; and the Rights, if issued, will be validly issued.

I know that I am referred to under the heading "Legal Matters" in the Registration Statement on Form S-3 and related Prospectus of Ashland with respect to the Common Stock, filed with the Securities and Exchange Commission, and consent thereto and to the filing of this opinion as an Exhibit to such Registration Statement.

Very truly yours,

/s/ Thomas L. Feazell

Thomas L. Feazell

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3) and related Prospectus of Ashland Inc. for the registration of 482,575 shares of its common stock and to the incorporation by reference therein of our report dated November 5, 1997, with respect to the consolidated financial statements and financial statement schedule of Ashland Inc. and subsidiaries, included in its Annual Report (Form 10-K) for the year ended September 30, 1997, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Ernst & Young LLP

March 17, 1998

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of this Registration Statement on Form S-3 of Ashland Inc. of our report dated March 12, 1998 relating to the financial statements of Marathon Oil Company Downstream Businesses (a division of Marathon Oil Company), which appears in the Current Report on Form 8-K/A of Ashland Inc. dated March 17, 1998.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP

Pittsburgh, PA
March 19, 1998

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned Directors and Officers of ASHLAND INC., a Kentucky corporation, which is about to file a Registration Statement on Form S-3 for the registration of up to 482,575 shares of Common Stock, par value $1.00 per share of Ashland Inc. with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended, hereby constitutes and appoints PAUL W. CHELLGREN, THOMAS L. FEAZELL and DAVID L. HAUSRATH, and each of them, his true and lawful attorneys-in-fact and agents, with full power to act without the others to sign and file such Registration Statement and the exhibits thereto and any and all other documents in connection therewith with the Securities and Exchange Commission, and to do and perform any and all acts and things requisite and necessary to be done in connection with the foregoing as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Dated: January 28, 1998

/s/ Paul W. Chellgren
- ---------------------------------
Paul W. Chellgren, Chairman of the Board and Chief Executive Officer

/s/ James B. Farley

James B. Farley, Director

/s/ J. Marvin Quin
- ---------------------------------
J. Marvin Quin, Senior Vice President and Chief Financial Officer

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Ralph E. Gomory, Director

/s/ Kenneth L. Aulen
- ---------------------------------
Kenneth L. Aulen, Administrative Vice President, Controller and Principal Accounting Officer

/s/ Mannie L. Jackson

Mannie L. Jackson, Director

/s/ Jack S. Blanton
- ---------------------------------
Jack S. Blanton, Director

/s/ Patrick F. Noonan

Patrick F. Noonan, Director

/s/ Jane C. Pfeiffer
- ---------------------------------
Thomas E. Bolger, Director

Jane C. Pfeiffer, Director

/s/ Samuel C. Butler
- ---------------------------------
Samuel C. Butler, Director

/s/ Michael D. Rose

Michael D. Rose, Director

/s/ Frank C. Carlucci
- ---------------------------------
Frank C. Carlucci, Director

/s/ William L. Rouse, Jr.

William L. Rouse, Jr., Director

/s/ Robert B. Stobaugh
- ---------------------------------

Robert B. Stobaugh, Director

CERTIFICATION

The undersigned certifies that he is an Assistant Secretary of ASHLAND INC. ("ASHLAND"), a Kentucky corporation, and that, as such, he is authorized to execute this Certificate on behalf of ASHLAND and further certifies that

attached are true and correct copies of excerpts from the minutes of a meeting of the Board of Directors of ASHLAND duly called, convened, and held on January 28, 1998, at which a quorum was present and acting throughout.

IN WITNESS WHEREOF, I have signed and sealed this Certification this 13th day of March, 1998.

/s/ T. Cody Wales

T. Cody Wales
Assistant Secretary

EXCERPT FROM
MINUTES OF DIRECTORS' MEETING
ASHLAND INC.
January 28, 1998

ACQUISITION OF EGL-1

RESOLVED, that the acquisition by the Corporation, through its division known as The Valvoline Company ("Valvoline"), of all of the outstanding shares of common stock of EGL-1, Inc. ("EGL-1"), for the consideration set forth herein (the "Purchase") is hereby in all respects authorized, ratified and approved;

FURTHER RESOLVED, that the total consideration to be paid by the Corporation for the Purchase (the "Purchase Price") shall not exceed $27,000,000 and shall be paid in cash, Common Stock of the Corporation ("Common Stock"), or a combination of cash and Common Stock;

FURTHER RESOLVED, that the number of shares of Common Stock to be issued shall be determined by dividing the Purchase Price by the lesser of the closing price of the Common Stock as reported on the composite tape of the New York Stock Exchange for (1) the business day immediately preceding the closing of the EGL-1 transaction; or (2) the average of the twenty (20) business days immediately preceding such closing;

FURTHER RESOLVED, that this Board of Directors hereby deems that the value of the shares of EGL-1 being acquired is at least equivalent to the Purchase Price;

FURTHER RESOLVED, that the Chairman of the Board, the Executive Vice President, or any Senior or Administrative Vice President of the Corporation, or the President or any Vice President of Valvoline (the "Authorized Officers") be, and each of them hereby is, authorized to negotiate and enter into a definitive agreement to consummate the purchase (the "Agreement"), and to take any and all actions and execute and deliver any and all documents, certificates, instruments or agreements related to the foregoing which any of them deem necessary or appropriate, and that any and all actions and execution of any and all documents, certificates, instruments or agreements related to the foregoing occurring heretofore including, without limitation, execution of an Agreement of Merger and Plan of Reorganization, is or are hereby in all respects authorized, ratified and approved;

FURTHER RESOLVED, that any of the Authorized Officers, the Secretary or any Assistant Secretary of the Corporation be, and each of them hereby is, authorized, acting singly, to execute and file with the Securities and Exchange Commission: (1) a Registration Statement on Form S-3 or any other appropriate form with respect to the Common Stock to be issued pursuant to the foregoing resolutions; (2) an application to register the Common Stock under the Securities Exchange Act of 1934, as amended; and (3) such further amendments thereto as are necessary or desirable;

FURTHER RESOLVED, that for the purpose of any original issue of the aggregate number of shares of Common Stock authorized by the preceding resolution, any transfer agent for Common Stock be, and hereby is, authorized to countersign as Transfer Agent, when presented to it duly executed by or on behalf of the Corporation, certificates for shares of the Common Stock, and to cause such certificates to be registered by any Registrar for Common Stock and when so countersigned and registered, to deliver such certificates to or upon the written order of the Authorized Officers; and further, that said Registrar be, and hereby is, authorized and directed to register certificates for the aggregate number of shares of Common Stock authorized by the preceding resolutions when presented to it, duly executed on behalf of the Corporation and countersigned by said Transfer Agent, and thereupon to deliver such certificates, when so registered, to or upon the order of said Transfer Agent and further, that the authority of said Transfer Agent and Registrar, respectively, be, and it hereby is, extended to apply to the transfer and registration from time to time of said shares of Common Stock after the original issue thereof;

FURTHER RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized to cause the Corporation to make application to the New York Stock Exchange and the Chicago Stock Exchange for the listing on such Exchanges, upon official notice of issuance of the Common Stock to be issued pursuant to the

foregoing resolutions; and that the aforesaid Authorized Officers of the Corporation be, and each of them hereby is, authorized in connection with such listing applications to execute in the name or on behalf of the Corporation and under its corporate seal or otherwise, and to file or deliver all such applications, statements, certificates, agreements, and other documents as in their judgment shall be necessary, proper or advisable to accomplish such listings;

FURTHER RESOLVED, that in connection with the transaction contemplated under the Agreement, there may be credited to the Corporation's capital account the sum of $1.00 for each share of the Common Stock issued by the Corporation in the transaction and the transaction shall otherwise be handled on the books of the Corporation in accordance with the laws of the Commonwealth of Kentucky and generally accepted accounting principles;

FURTHER RESOLVED, that the Authorized Officers and counsel for the Corporation and Valvoline be, and they hereby are, authorized to take all such further action and to execute all such further instruments and documents, in the name and on behalf of the Corporation and Valvoline, and under their corporate seals or otherwise, and to pay all such expenses as in their judgment shall be necessary, proper or advisable in order to fully carry out the intent and to accomplish the purposes of the foregoing resolutions and each of them.

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