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ASHLAND INC  
Form 10-K/A  
March 14, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A  
AMENDMENT NO. 1

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Commission file number 1-2918

ASHLAND INC.  
(a Kentucky corporation)

I.R.S. No. 61-0122250  
50 E. RiverCenter Boulevard  
P.O. Box 391  
Covington, Kentucky 41012-0391

Telephone Number: (859) 815-3333

Securities Registered Pursuant to Section 12(b):

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$1.00 per share	New York Stock Exchange and Chicago Stock Exchange
Rights to Purchase Series A Participating Cumulative Preferred Stock	New York Stock Exchange and Chicago Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G): NONE

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

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

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10-K or any amendment to this Form 10-K. [X]

At October 31, 2001, based on the New York Stock Exchange closing price, the aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$2,759,644,567. In determining this amount, the Registrant has assumed that its directors and executive officers are affiliates. Such assumption shall not be deemed conclusive for any other purpose.

At October 31, 2001, there were 69,041,473 shares of Registrant's common stock outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 2001 are incorporated by reference into Parts I, II and IV.

Portions of Registrant's definitive Proxy Statement for its January 31, 2002 Annual Meeting of Shareholders are incorporated by reference into Part III.

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### EXPLANATORY NOTE

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This amendment to the Annual Report on Form 10-K for the fiscal year ended September 30, 2001 of Ashland Inc. ("Ashland") is being filed to include the audited financial statements of Marathon Ashland Petroleum LLC ("MAP") for the fiscal year ended December 31, 2001 as required by Rule 3-09 of Regulation S-X. Ashland has a 38% equity interest in MAP. In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the text of the amended item is set forth in its entirety in the pages attached hereto.

A consent of PricewaterhouseCoopers LLP, independent accountants for MAP, is being filed as an exhibit hereto.

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

- (A) DOCUMENTS FILED AS PART OF THIS REPORT  
(1) and (2) Financial Statements and Financial Schedule

The consolidated financial statements and financial schedule of Ashland presented or incorporated by reference in this report are listed in the index on page 19.

Audited financial statements of Marathon Ashland Petroleum LLC. Financial statement schedules are omitted because they are not applicable as the required information is contained in the applicable financial statements or notes thereto.

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### (3) Exhibits

- 3.1 - Second Restated Articles of Incorporation of Ashland, as amended to January 30, 1998 (filed as Exhibit 3 to Ashland's Form 10-Q for the quarter ended December 31, 1997 and incorporated herein by reference).
- 3.2 - By-laws of Ashland, effective as of June 21, 2001 (filed as Exhibit 3.2 to Ashland's Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference).
- 4.1 - Ashland agrees to provide the SEC, upon request, copies of instruments defining the rights of holders of long-term debt of Ashland and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the SEC.
- 4.2 - Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland and Citibank, N.A., as Trustee.
- 4.3 - Indenture, dated as of September 7, 2001, between Ashland and U.S. Bank National Association, as Trustee.
- 4.4 - Rights Agreement, dated as of May 16, 1996, between Ashland Inc. and the Rights Agent, together with Form of Right Certificate.

The following Exhibits 10.1 through 10.15 are compensatory plans or arrangements or management contracts required to be filed as exhibits pursuant to Item 601(b)(10)(ii)(A) of Regulation S-K.

- 10.1 - Amended Stock Incentive Plan for Key Employees of Ashland Inc. and its Subsidiaries (filed as Exhibit 10.1 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 10.2 - Ashland Inc. Deferred Compensation Plan for Non-Employee Directors (filed as Exhibit 10.2 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 10.3 - Ashland Inc. Deferred Compensation Plan (filed as Exhibit 10.14 to Ashland's Form 10-K for the fiscal year ended September 30, 2000 and incorporated herein by reference).
- 10.4 - Tenth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees, as amended (filed as Exhibit 10.2 to Ashland's Form 10-Q for the quarter ended December 31, 2000 and incorporated herein by reference).
- 10.5 - Ashland Inc. Salary Continuation Plan.
- 10.6 - Form of Ashland Inc. Executive Employment Contract between Ashland Inc. and certain executives of Ashland (filed as Exhibit 10.6 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 10.7 - Form of Separation Agreement and General Release between Ashland Inc. and James R. Boyd, an executive officer of Ashland.
- 10.8 - Form of Indemnification Agreement between Ashland Inc. and each

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member of its Board of Directors.

- 10.9 - Ashland Inc. Nonqualified Excess Benefit Pension Plan (filed as Exhibit 10.11 to Ashland's Form 10-K for the fiscal year ended September 30, 1998 and incorporated herein by reference).
- 10.10 - Ashland Inc. Long-Term Incentive Plan (filed as Exhibit 10.9 to Ashland's Form 10-K for the fiscal year ended September 30, 2000 and incorporated herein by reference).
- 10.11 - Ashland Inc. Directors' Charitable Award Program (filed as Exhibit 10.10 to Ashland's Form 10-K for the fiscal year ended September 30, 2000 and incorporated herein by reference).
- 10.12 - Ashland Inc. 1993 Stock Incentive Plan (filed as Exhibit 10.11 to Ashland's Form 10-K for the fiscal year ended September 30, 2000 and incorporated herein by reference).
- 10.13 - Ashland Inc. 1995 Performance Unit Plan (filed as Exhibit 10.12 to Ashland's Form 10-K for the fiscal year ended September 30, 2000 and incorporated herein by reference).
- 10.14 - Ashland Inc. 1997 Stock Incentive Plan (filed as Exhibit 10.15 to Ashland's Form 10-K for the fiscal year ended September 30, 2000 and incorporated herein by reference).
- 10.15 - Ashland Inc. Amended and Restated Ashland Inc. Incentive Plan (filed as Exhibit 10.1 to Ashland's Form 10-Q for the quarter ended December 31, 2000 and incorporated herein by reference).
- 10.16 - Amended and Restated Limited Liability Company Agreement of Marathon Ashland Petroleum LLC dated as of December 31, 1998 (filed as Exhibit 10.17 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 10.17 - Put/Call, Registration Rights and Standstill Agreement as amended to December 31, 1998 among Marathon Oil Company, USX Corporation, Ashland Inc. and Marathon Ashland Petroleum (filed as Exhibit 10.18 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 11 - Computation of Earnings Per Share (appearing on page 43 of Ashland's Annual Report to Shareholders, incorporated by reference herein, for the fiscal year ended September 30, 2001).
- 12 - Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- 13 - Portions of Ashland's Annual Report to Shareholders, incorporated by reference herein, for the fiscal year ended September 30, 2001.
- 21 - List of subsidiaries.
- 23.1 - Consent of independent auditors.
- 23.2\* - Consent of PricewaterhouseCoopers LLP.
- 24 - Power of Attorney, including resolutions of the Board of Directors.

\*Filed herewith

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Upon written or oral request, a copy of the above exhibits will be furnished at cost.

(B) REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment to be signed on its behalf by the undersigned thereunto duly authorized.

ASHLAND INC.

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(Registrant)

Date: March 14, 2002

/s/ David L. Hausrath

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Name: David L. Hausrath  
Title: Vice President and  
General Counsel

MARATHON ASHLAND PETROLEUM LLC AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

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PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP  
600 Grant Street  
Pittsburgh, PA 15219

Report of Independent Accountants

February 15, 2002

To the Board of Managers of  
Marathon Ashland Petroleum LLC:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, cash flows and members' capital present fairly, in all material respects, the financial position of Marathon Ashland Petroleum LLC and its subsidiaries (MAP) at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of MAP's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to

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obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note C to the financial statements, MAP changed its method of accounting for derivatives in 2001.

/s/ PricewaterhouseCoopers LLP  
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PricewaterhouseCoopers LLP  
Pittsburgh, Pennsylvania

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### CONSOLIDATED STATEMENT OF OPERATIONS (Dollars in Millions)

#### MARATHON ASHLAND PETROLEUM LLC AND SUBSIDIARIES

	Year End	
	2001	
<b>REVENUES AND OTHER INCOME:</b>		
Revenues *	\$ 27,245	\$
Dividend and investee income	44	
Net gains (losses) on disposal of assets	30	
Other income	29	
	27,348	
<b>TOTAL REVENUES AND OTHER INCOME</b>		
<b>COSTS AND EXPENSES:</b>		
Cost of revenues (excludes items shown below)	20,061	
Selling, general and administrative expenses	456	
Depreciation and amortization	348	
Taxes other than income taxes *	4,545	
Inventory market valuation charges (credits) - Note H	77	
	25,487	
<b>TOTAL COSTS AND EXPENSES</b>		
	1,861	
<b>INCOME FROM OPERATIONS:</b>		
Net interest and other financial income - Note E	4	

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	-----	
INCOME BEFORE INCOME TAXES:	1,865	
Provision for income taxes - Note G	9	
	-----	
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:	1,856	
Cumulative effect of change in derivatives accounting - Note C	(20)	
	-----	
NET INCOME	\$ 1,836	\$
	=====	=====

\* Included in revenues and costs and expenses for 2001, 2000 and 1999 were \$4,404 million, \$4,344 million and \$3,973 million, respectively, representing consumer excise taxes on petroleum products and merchandise.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED BALANCE SHEET (Dollars in Millions)  
MARATHON ASHLAND PETROLEUM LLC AND SUBSIDIARIES

ASSETS:

Current assets:

Cash and cash equivalents \$  
Receivables, less allowance for doubtful accounts of \$3  
and \$3  
Inventories - Note H  
Related party receivables - Note D  
Other current assets

Total current assets



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Investments and long-term receivables - Note I  
Property, plant and equipment - net - Note J  
Other noncurrent assets

Total assets

\$  
===

LIABILITIES:

Current liabilities:

Accounts payable  
Accounts payable to related parties - Note D  
Payroll and benefits payable  
Accrued taxes

\$

Total current liabilities

Long-term debt - Note L  
Deferred income taxes - Note G  
Employee benefits - Note F  
Deferred credits and other liabilities

Total liabilities

MEMBERS' CAPITAL (details on page 5)

Members' contributed capital  
Retained earnings  
Accumulated other comprehensive income (losses)

Total members' capital

Total liabilities and members' capital

\$  
===

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENT OF CASH FLOWS (Dollars in Millions)

MARATHON ASHLAND PETROLEUM LLC AND SUBSIDIARIES

Year End

-----  
2001

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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		-----	----
OPERATING ACTIVITIES:			
Net income		\$ 1,836	\$
Adjustments to reconcile to net cash provided from operating activities:			
Depreciation and amortization		348	
Inventory market valuation charges (credits)		77	
Pensions and other postretirement benefits		44	
Cumulative effect of change in accounting principle		20	
Deferred income taxes		--	
Net (gains) losses on disposal of assets		(30)	
Changes in:			
Current receivables		283	
Inventories		(59)	
Current accounts payable and accrued expenses		(517)	
Net receivables and payables with related parties		(3)	
All other - net		25	
		-----	----
Net cash provided from operating activities		2,024	
		-----	----
INVESTING ACTIVITIES:			
Capital expenditures		(576)	
Disposal of assets		51	
Loans for Section 1031 transactions - principal loaned		(31)	
- principal collected		35	
Property exchange trust - deposits		(62)	
- withdrawals		54	
Investees - investments		(16)	
- loans and advances		(5)	
- returns and repayments		10	
		-----	----
Net cash used in investing activities		(540)	
		-----	----
FINANCING ACTIVITIES:			
Revolving credit facilities - borrowings - Note D		294	
- repayments - Note D		(294)	
Debt repayments		(1)	
Member distributions		(1,508)	
		-----	----
Net cash used in financing activities		(1,509)	
		-----	----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(25)	
Cash and cash equivalents at beginning of year		58	
		-----	----
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$ 33	\$
		=====	=====

See Note M for supplemental cash flow information.

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL (Dollars in Millions)

MARATHON ASHLAND PETROLEUM LLC AND SUBSIDIARIES

	Members' Capital Year Ended December 31			2001
	2001	2000	1999	
<b>MEMBERS' CONTRIBUTED CAPITAL:</b>				
Balance at beginning of year	\$ 4,244	\$ 4,218	\$ 4,188	
Member contributions	15	26	30	
Balance at end of year	4,259	4,244	4,218	
<b>RETAINED EARNINGS:</b>				
Balance at beginning of year	601	395	--	
Net income	1,836	1,310	1,177	\$ 1,836
Distributions to members	(1,525)	(1,104)	(782)	
Balance at end of year	912	601	395	
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Minimum pension liability adjustments:				
Balance at beginning of year	(4)	--	(5)	
Changes during the year	(1)	(4)	5	
Balance at end of year	(5)	(4)	--	
Deferred gains (losses) on derivative instruments:				
Balance at beginning of year	--	--	--	
Cumulative effect adjustment	6	--	--	
Reclassification of the cumulative effect adjustment into earnings	(6)	--	--	
Balance at end of year	--	--	--	

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TOTAL COMPREHENSIVE INCOME				\$ 1,83
				=====
TOTAL MEMBERS' CAPITAL	\$ 5,166	\$ 4,841	\$ 4,613	
	=====	=====	=====	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARATHON ASHLAND PETROLEUM LLC AND SUBSIDIARIES

NOTE A - BUSINESS DESCRIPTION AND BASIS OF PRESENTATION

On December 12, 1997, Marathon Oil Company (Marathon), a wholly owned subsidiary of Marathon Oil Corporation (MOC), formerly USX Corporation, entered into an Asset Transfer and Contribution Agreement with Ashland Inc. (Ashland) providing for the formation of Marathon Ashland Petroleum LLC (MAP). Effective January 1, 1998, Marathon contributed substantially all of its refining, marketing and transportation (RM&T) operations to MAP. Also, on January 1, 1998, Marathon acquired certain RM&T net assets from Ashland in exchange for a 38% interest in MAP. The purchase price was determined to be \$1.9 billion, based upon an external valuation. The acquisition of Ashland's net assets was accounted for under the purchase method of accounting.

In connection with the formation of MAP, Marathon and Ashland entered into a Limited Liability Company Agreement (LLC Agreement) dated January 1, 1998. The LLC Agreement provides for an initial term expiring on December 31, 2022 (25 years from its formation). The term will automatically be extended for ten-year periods, unless a termination notice is given by either party.

Also in connection with the formation of MAP, the parties entered into a Put/Call, Registration Rights and Standstill Agreement (the Put/Call Agreement). The Put/Call Agreement provides that at any time after December 31, 2004, Ashland will have the right to sell to Marathon all of Ashland's ownership interest in MAP, for an amount in cash and/or Marathon or MOC debt or equity securities equal to the product of 85% (90% if equity securities are used) of the fair market value of MAP at that time, multiplied by Ashland's percentage interest in MAP. Payment could be made at closing, or at Marathon's option, in three equal annual installments, the first of which would be payable at closing. At any time after December

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31, 2004, Marathon will have the right to purchase all of Ashland's ownership interests in MAP, for an amount in cash equal to the product of 115% of the fair market value of MAP at that time, multiplied by Ashland's percentage interest in MAP.

MAP is engaged in petroleum supply, refining, marketing & transportation operations and includes Speedway SuperAmerica LLC (SSA), a wholly owned subsidiary, which operates retail outlets for petroleum products and merchandise. In addition, MAP, through its wholly owned subsidiary, Marathon Ashland Pipe Line LLC, is actively engaged in the pipeline transportation of crude oil and petroleum products.

Pilot Travel Centers LLC (PTC), a joint venture owned 50 percent each by MAP and Pilot Corporation, began operations on September 1, 2001. MAP, through its wholly owned retail unit, SSA, contributed 94 travel centers and other assets in the formation of PTC. PTC is now the largest travel center network in the United States with about 230 locations in 35 states. The new venture, based in Knoxville, Tennessee, has approximately 11,000 employees. PTC is accounted for under the equity method of accounting.

In June 2001, MAP acquired an interest in approximately 50 convenience stores located in Indiana and Michigan from Welsh, Inc. The acquisition of these retail outlets increases MAP's presence in these markets.

In 2001, 2000 and 1999, MAP recorded capital contributions from Marathon of \$2 million, \$2 million and \$2 million, respectively, and from Ashland of \$10 million, \$24 million and \$28 million, respectively, for environmental improvements. The LLC Agreement stipulates that ownership interest in MAP will not be adjusted as a result of such contributions. In 2001, MAP recorded capital contributions of \$1 million from Marathon and \$2 million from Ashland related to stock-based compensation expense which is allocated 100% to Marathon and Ashland, respectively.

In March 2000, MAP, Panhandle Eastern Pipe Line Company, a subsidiary of CMS Energy Corporation, and TE Products Pipe Line Company, Limited Partnership, formed a limited liability company with equal one-third ownership called Centennial Pipeline LLC (Centennial) to develop an interstate refined petroleum products pipeline extending from the U.S. Gulf of Mexico to the Midwest. In March 2001, the Federal Energy Regulatory Commission approved the abandonment of a 720-mile pipeline from natural gas service, thereby allowing Centennial to convert the line to refined products transportation. Centennial is accounted for under the equity method of accounting.

During 2000, MAP sold 159 Speedway SuperAmerica non-core stores for \$48 million. MAP recorded a pretax gain of \$19 million related to these sales.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE A - BUSINESS DESCRIPTION AND BASIS OF PRESENTATION - Continued

In 1999, MAP sold Scurlock Permian LLC, its crude oil gathering business, to Plains Marketing, L.P. for \$137 million. In 1999, MAP recorded a pretax loss of \$16 million related to the sale.

In 1999, MAP finalized the transaction with Ultramar Diamond Shamrock

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("UDS") to purchase 178 UDS owned and operated convenience stores and 5 product terminals. In addition, MAP was assigned supply contracts with UDS branded jobbers who supplied 242 branded jobber stations in Michigan. This transaction was accounted for under the purchase method of accounting.

### NOTE B - SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

**PRINCIPLES APPLIED IN CONSOLIDATION** - The consolidated financial statements include the accounts of MAP and the majority-owned subsidiaries which it controls. Investments in undivided interest pipelines are consolidated on a pro rata basis. Investments in other entities over which MAP has significant influence are accounted for using the equity method of accounting and are carried at MAP's share of net assets plus advances. Differences in the basis of the investment and the separate net asset value of the investee, if any, are amortized into earnings in accordance with the underlying remaining useful life of the associated assets. Investments in companies whose stocks have no readily determinable fair value are carried at cost.

Dividend and investee income includes MAP's proportionate share of income from equity method investments and dividend income from other investments. Dividend income is recognized when dividend payments are received.

**USE OF ESTIMATES** - Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of property, plant and equipment; valuation allowances for receivables and inventories; environmental liabilities; liabilities for potential tax deficiencies and potential litigation claims and settlements; and assets and obligations related to employee benefits. Additionally, certain estimated liabilities are recorded when management commits to a plan to close an operating facility or to exit a business activity. Actual results could differ from the estimates and assumptions used.

**REVENUE RECOGNITION** - Revenues are recognized generally when products are shipped or services are provided to customers, the sales price is fixed and determinable, and collectibility is reasonably assured. Costs associated with revenues, including shipping and other transportation costs, are recorded in cost of revenues. Matching buy/sell transactions settled in cash are recorded in both revenues and cost of revenues as separate sales and purchase transactions, with no net effect on income.

**CASH AND CASH EQUIVALENTS** - Cash and cash equivalents include cash on hand and on deposit and investments with related parties in highly liquid debt instruments with maturities of three months or less. See Note D for information regarding investments with related parties.

**INVENTORIES** - Inventories are carried at lower of cost or market. Cost of inventories is determined primarily under the last-in, first-out (LIFO) method.

**DERIVATIVE INSTRUMENTS** - MAP uses commodity-based derivative instruments to manage its exposure to price risk. Management has authorized the use of futures, forwards, swaps and options to reduce the effects of fluctuations related to the purchase or sale of crude oil, refined products and natural gas. Changes in the fair value of all derivatives are recognized immediately in earnings, either within revenues or cost of revenues, unless the derivative qualifies as a hedge of future cash flows or certain foreign

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currency exposures. During 2001, MAP did not elect to designate any derivatives as qualifying for hedge accounting treatment.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are depreciated principally by the straight-line method over their useful lives. MAP evaluates impairment of its assets on an individual asset basis or by logical groupings of assets. Assets deemed to be impaired are written down to their fair value, including any related goodwill, using discounted future cash flows and, if available, comparable market values.

When property, plant and equipment depreciated on an individual basis are sold or otherwise disposed of, any gains or losses are reflected in income. Gains on disposal of property, plant and equipment are recognized when earned, which is generally at the time of closing. If a loss on disposal is expected, such losses are recognized when the assets are reclassified as held for sale. Proceeds from disposal of property, plant and equipment depreciated on a group basis are credited to accumulated depreciation and amortization with no immediate effect on income.

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NOTES TO CONSOLIDATED FINNCIAL STATEMENTS - Continued

NOTE B - SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - Continued

MAJOR MAINTENANCE ACTIVITIES - MAP incurs planned major maintenance costs primarily for refinery turnarounds. These types of costs include contractor repair services, materials and supplies, equipment rentals and company labor costs. Such costs are expensed in the same annual period as incurred; however, estimated annual turnaround costs are recognized in income throughout the year on a pro rata basis.

ENVIRONMENTAL LIABILITIES - Environmental expenditures are capitalized if the costs mitigate or prevent future contamination or if the costs improve existing assets' environmental safety or efficiency. MAP provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Generally, the timing of remediation accruals coincides with completion of a feasibility study or the commitment to a formal plan of action. Remediation liabilities are accrued based on estimates of known environmental exposure and are discounted in certain instances. If recoveries of remediation costs from third parties are probable, a receivable is recorded.

STOCK-BASED COMPENSATION - MAP applies the principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to the stock-based compensation granted to MAP employees by Marathon, and MAP applies the principles of Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation," as interpreted by Emerging Issues Task Force Issue 96-18, "Accounting for Equity Instruments That Are Issued To Other Than Employees For Acquiring, Or In Conjunction With Selling, Goods Or Services," to the stock-based compensation granted to MAP employees by Ashland.

INSURANCE - MAP is insured for catastrophic casualty and certain property and business interruption exposures, as well as those risks required to be insured by law or contract. Costs resulting from noninsured losses are charged against income upon occurrence.

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INCOME TAXES - MAP is a limited liability company, and therefore, except for several small subsidiary corporations, is not subject to U.S. federal income taxes. Accordingly, the taxable income or loss resulting from operations of MAP is ultimately included in the U.S. federal income tax returns of MOC and Ashland. MAP is, however, subject to income taxes in certain state, local and foreign jurisdictions.

RECLASSIFICATIONS - Certain reclassifications of prior years' data have been made to conform to 2001 classifications. These changes had no impact on previously reported results of operations or members' capital.

### NOTE C - NEW ACCOUNTING STANDARDS

ADOPTED IN 2001 - Effective January 1, 2001, MAP adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended by SFAS Nos. 137 and 138. This Statement, as amended, requires recognition of all derivatives at fair value as either assets or liabilities.

The transition adjustment related to adopting SFAS No. 133 on January 1, 2001, was recognized as a cumulative effect of change in accounting principle. The unfavorable cumulative effect on net income was \$20 million. The favorable cumulative effect included within Other Comprehensive Income (OCI) was \$6 million.

A portion of the cumulative effect adjustment relating to the adoption of SFAS No. 133 was recognized in OCI which relates only to deferred gains or losses for hedge transactions as of December 31, 2000. A reconciliation of the changes in OCI relating to derivative instruments is included in the Statement of Members' Capital.

MAP did not have any foreign currency contracts in place at December 31, 2001.

TO BE ADOPTED IN FUTURE PERIODS - In June 2001, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 141 "Business Combinations" (SFAS No. 141), No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142) and No. 143 "Accounting for Asset Retirement Obligations" (SFAS No. 143).

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### NOTES TO CONSOLIDATED FINNCIAL STATEMENTS - Continued

#### NOTE C - NEW ACCOUNTING STANDARDS - Continued

SFAS No. 141 requires that all business combinations initiated after June 30, 2001, be accounted for under the purchase method. This Statement establishes specific criteria for the allocation of purchase price to intangible assets separately from goodwill for all business combinations made after June 30, 2001.

SFAS No. 142 addresses the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS No. 142 are: 1) goodwill and intangible assets with indefinite lives will no



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longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. MAP will adopt SFAS No. 142 effective January 1, 2002, as required. At that time, annual amortization of existing goodwill of \$2 million will cease on the unamortized portion associated with previous acquisitions. As required, a transitional impairment test is required for existing goodwill as of the date of adoption of this Standard. This test must be completed within the first year. Any impairment loss resulting from applying the goodwill impairment test will be reported as a cumulative effect of a change in accounting principle. Goodwill recorded after adoption of this Standard is to be tested for impairment at least annually and any resulting impairment is not considered part of the change in accounting principle.

SFAS No. 143 establishes a new accounting model for the recognition and measurement of retirement obligations associated with tangible long-lived assets. SFAS No. 143 requires that an asset retirement cost be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. MAP will adopt the Statement effective January 1, 2003, as required. The transition adjustment resulting from the adoption of SFAS No. 143 will be reported as a cumulative effect of a change in accounting principle. At this time, MAP cannot reasonably estimate the effect of the adoption of this Statement on either its financial position or results of operations.

In August 2001, the FASB approved SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). This Statement establishes a single accounting model for long-lived assets to be disposed of by sale and provides additional implementation guidance for assets to be held and used and assets to be disposed of other than by sale. MAP will adopt the Statement prospectively effective January 1, 2002.

### NOTE D - RELATED PARTY TRANSACTIONS

MAP sales in 2001, 2000 and 1999 to Ashland and its affiliates were \$237 million, \$285 million and \$198 million, respectively; and sales to MOC and its affiliates were \$209 million, \$145 million and \$50 million, respectively. MAP purchases in 2001, 2000 and 1999 from Ashland and its affiliates totaled \$23 million, \$19 million and \$9 million, respectively; and purchases from MOC and its affiliates totaled \$610 million, \$540 million and \$297 million, respectively. Such transactions were in the ordinary course of business and included the purchase, sale and transportation of crude oil, natural gas, refinery feedstocks and refined petroleum products. These transactions were conducted under terms comparable to those with unrelated parties.

During the years ended December 31, 2001, 2000 and 1999, Ashland and its affiliates, and MOC and its affiliates provided certain information technology and administrative services and facilities to MAP. Billings to MAP for these services and facilities for the years ended December 31, 2001, 2000 and 1999 from Ashland and its affiliates totaled \$6 million, \$7 million and \$13 million, respectively. Billings to MAP for these services and facilities for the years ended December 31, 2001, 2000 and 1999 from MOC and its affiliates totaled \$39 million, \$48 million and \$47 million, respectively.

As of December 31, 2001 and 2000, related party receivables included \$19 million and \$35 million, respectively, of accounts receivable due from Ashland and its affiliates; and accounts payable to related parties included \$20 million and \$2 million, respectively, due to Ashland and its

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affiliates. Included in the December 31, 2001, accounts payable to Ashland is a \$17 million member distribution payable. As of December 31, 2001 and 2000, related party receivables included \$23 million and \$8 million, respectively, of accounts receivable due from MOC and its affiliates; and accounts payable to related parties included \$42 million and \$64 million, respectively, due to MOC and its affiliates.

In connection with the formation of MAP, certain Marathon debt was assigned to MAP. Marathon agreed to reimburse MAP for this debt and related interest expense. During 2001, 2000 and 1999, Marathon reimbursed MAP \$0 million, \$6 million and \$0 million, respectively, for debt repayments.

A revolving credit agreement was entered into as of January 1, 1998, among Ashland and Marathon (collectively the Lenders) and MAP (Borrower). This agreement provides that the Lenders may loan to the Borrower up to \$500 million at defined short-term

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE D - RELATED PARTY TRANSACTIONS - Continued

market rates. At December 31, 2001 and 2000, there were no borrowings against this facility. During 2001 and 2000, MAP borrowed and repaid \$294 million and \$931 million, respectively, under this revolving credit facility. The weighted average borrowings outstanding under this revolving credit facility during the years 2001 and 2000 were \$3 million and \$14 million, respectively. During the years ended December 31, 2001, 2000 and 1999, interest expense paid on these borrowings were \$0 million, \$1 million and \$0 million, respectively, to Marathon.

On November 16, 1998, MAP entered into agreements with MOC and Ashland, which allow MAP to invest its surplus cash balances on a daily basis at competitive interest rates with MOC and Ashland in proportion up to their ownership interests in MAP. These agreements, as previously extended, expired on March 15, 2001 and have been subsequently amended and extended with an expiration date of March 15, 2002. At December 31, 2001 and 2000, there was no cash invested under these agreements. During the years ended December 31, 2001, 2000 and 1999, interest income earned from these investments was \$2 million, \$6 million and \$4 million, respectively, from Ashland and \$1 million, \$7 million and \$5 million, respectively, from MOC.

NOTE E - OTHER ITEMS

NET INTEREST AND OTHER FINANCIAL INCOME

INTEREST AND OTHER FINANCIAL INCOME:

Ye  
-----  
2001  
-----

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Interest income - third parties	\$	11
Interest income - related parties		3
		-----
Total		14
		-----
INTEREST AND OTHER FINANCIAL COSTS:		
Interest incurred		3
Other		7
		-----
Total		10
		-----
NET INTEREST AND OTHER FINANCIAL INCOME	\$	4
		=====

NOTE F - PENSIONS AND OTHER POSTRETIREMENT BENEFITS

MAP has a noncontributory defined benefit pension plan and several related excess benefit plans covering substantially all employees. Benefits under its final pay formula are based primarily upon age, years of service and the highest three years earnings during the last ten years before retirement. Benefits under its pension equity formula are based primarily upon age, years of service and the final three years of earnings at retirement.

MAP also has defined benefit retiree health and life insurance plans (other benefits) covering most employees upon their retirement. Health benefits are provided, for the most part, through comprehensive hospital, surgical and major medical benefit provisions subject to various cost sharing features. Life insurance benefits are provided to certain nonunion and union represented retiree beneficiaries primarily based on employees' annual base salary at retirement. Other benefits have not been prefunded.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE F - PENSIONS AND OTHER POSTRETIREMENT BENEFITS - Continued

	Pension Benefits		
	2001	2000	(Mil)
	-----	-----	
CHANGE IN PROJECTED BENEFIT OBLIGATION:			
Benefit obligation at January 1	\$ 568	\$ 482	
Service cost	40	36	
Interest cost	42	38	
Plan amendments	--	4	
Actuarial (gains) losses	130	64	

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Benefits paid	(47)	(56)
Settlement	(6)	--
	-----	-----
Benefit obligations at December 31	\$ 727	\$ 568
	=====	=====
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at January 1	\$ 502	\$ 560
Actual return on plan assets	(17)	(4)
Employer contributions	--	1
Benefits paid	(45)	(55)
	-----	-----
Fair value of plan assets at December 31	\$ 440	\$ 502
	=====	=====
FUNDED STATUS OF PLANS AT DECEMBER 31: (a)		
Unrecognized net gain from transition	\$ (287)	\$ (66)
Unrecognized prior service costs (credits)	(7)	(9)
Unrecognized actuarial (gains) losses	24	25
Additional minimum liability (b)	187	(5)
	(5)	(6)
	-----	-----
Accrued benefit cost	\$ (88)	\$ (61)
	=====	=====
(a) Includes several small plans that have accumulated benefit obligations and no plan assets:		
Accumulated benefit obligation	\$ (9)	\$ (12)
Projected benefit obligation	(26)	(17)
(b) Additional minimum liability recorded was offset by the following:		
Intangible asset	\$ --	\$ 2
	-----	-----
Accumulated other comprehensive income (loss):		
Beginning of year	\$ (4)	\$ --
Change during year	(1)	(4)
	-----	-----
Balance at end of year	\$ (5)	\$ (4)
	=====	=====

	Pension Benefits			
	2001	2000	1999	(Millions)
	-----	-----	-----	-----
COMPONENTS OF NET PERIODIC BENEFIT COST:				
Service cost	\$ 40	\$ 36	\$ 41	\$
Interest cost	42	38	33	
Expected return on plan assets	(50)	(51)	(46)	
Amortization of prior service costs	2	2	1	
Amortization of actuarial losses	1	(4)	1	
Amortization of transition gain	(2)	(2)	(2)	
Other plans	2	1	2	
Settlement, curtailment and termination benefits	3	3	2	
	-----	-----	-----	-----
Net periodic benefit cost	\$ 38	\$ 23	\$ 32	\$
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE F - PENSIONS AND OTHER POSTRETIREMENT BENEFITS - Continued

ACTUARIAL ASSUMPTIONS AT DECEMBER 31:	Pension Benefits	
	2001	2000
Discount rate	7.0%	7.5%
Expected annual return on plan assets	9.5%	9.5%
Increase in compensation rate	5.0%	5.0%

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease gradually to 5% for 2007 and remain at that level thereafter.

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage Point Increase	
Effect on total of service and interest cost components	\$	5
Effect on postretirement benefit obligation		34

(Mill)

MAP also contributes to several defined contributions plans for salaried employees. Contributions to these plans, which for the most part are based on a percentage of the employees' salaries, totaled \$25 million, \$21 million and \$22 million in 2001, 2000 and 1999, respectively.

NOTE G - INCOME TAXES

The taxable income or loss resulting from operations of MAP, except for several

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small subsidiary corporations, is ultimately included in the federal income tax returns of MOC and Ashland. MAP is, however, subject to taxation in certain state, local and foreign jurisdictions.

Provisions (credits) for income taxes:

	Year Ended December 31						
	2001			(Millions) 2000			
	CURRENT	DEFERRED	TOTAL	Current	Deferred	Total	
Federal	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$
State and local	8	--	8	5	--	5	
Foreign	1	-	1	2	--	2	
	-----	-----	-----	-----	-----	-----	-----
Total	\$ 9	\$ -	\$ 9	\$ 7	\$ --	\$ 7	\$
	=====	=====	=====	=====	=====	=====	=====

Deferred tax liabilities at December 31, 2001 and 2000 of \$4 million and \$4 million, respectively, principally arise from differences between the book and tax basis of inventories and property, plant and equipment. Pretax income in 2001, 2000 and 1999 included \$0 million, \$0 million and \$3 million, respectively, attributable to foreign sources.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE H - INVENTORIES

Inventories consist of the following:

Crude oil and natural gas liquids  
 Refined products and merchandise  
 Supplies and sundry items

Total (at cost)  
 Less inventory market valuation reserve

Net inventory carrying value

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Inventories of crude oil and refined products are valued by the LIFO method. The LIFO method accounted for 94% and 95% of total inventory at December 31, 2001 and 2000, respectively. Current acquisition costs were estimated to exceed the above inventory values at December 31, 2000 by \$476 million. Cost of revenues was reduced and income from operations was increased by \$17 million in 2001 and \$14 million in 2000 as a result of liquidations of LIFO inventories.

The inventory market valuation reserve reflects the extent that the recorded LIFO cost basis of crude oil and refined products inventories exceeds net realizable value. The reserve is decreased to reflect increases in market prices and inventory turnover and increased to reflect decreases in market prices. Changes in the inventory market valuation reserve result in noncash charges or credits to costs and expenses. During 2000, there were no charges or credits to costs and expenses.

NOTE I - INVESTMENTS AND LONG-TERM RECEIVABLES

Equity method investments  
Receivables due after one year  
Property exchange trust

Total

The following represents summarized financial information of investees accounted for by the equity method of accounting:

	Ye
	-----
	2001
	-----
Income data:	
Revenues	\$ 1,462
Operating income	134
Net income	90

Balance sheet data:

Current assets  
 Noncurrent assets  
 Current liabilities  
 Noncurrent liabilities

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE I - INVESTMENTS AND LONG-TERM RECEIVABLES - Continued

MAP's carrying value of its equity method investments is \$129 million lower than the underlying net assets of investees. Generally this basis difference is being amortized into earnings over the lives of the underlying net assets which average approximately 16 years.

In the third quarter of 2001, MAP and Pilot Corporation formed a joint venture combining their travel center operations. The joint venture company, named Pilot Travel Centers LLC (PTC), commenced operations on September 1, 2001 and is accounted for under the equity method of accounting. MAP sales to PTC totaled \$210 million in 2001. There were no sales to PTC in 2000 or 1999.

Dividends and partnership distributions received from equity investees were \$31 million, \$25 million and \$18 million in 2001, 2000 and 1999, respectively. MAP purchases from equity investees totaled \$53 million, \$61 million and \$50 million in 2001, 2000 and 1999, respectively.

Principal unconsolidated equity investees of MAP at December 31, 2001, are as follows:

Company -----	Ownership -----	Activity -----
Pilot Travel Centers LLC	50.0%	Travel centers
Minnesota Pipe Line Company	33.3%	Crude oil pipeline
LOOP LLC	46.7%	Offshore oil port
Southcap Pipe Line Company	21.6%	Crude oil pipeline
LOCAP LLC	49.9%	Crude oil pipeline
Centennial Pipeline LLC	33.3%	Refined products



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NOTE J - PROPERTY, PLANT AND EQUIPMENT

Refining  
Marketing  
Transportation  
Other

Total  
Less accumulated depreciation and amortization

Net

Property, plant and equipment at December 31, 2001 and 2000, includes gross assets acquired under capital leases of \$8 million and \$8 million, respectively, with related amounts in accumulated depreciation and amortization of \$1 million and \$0 million, respectively.

NOTE K - SHORT-TERM DEBT

In July 2001, MAP renewed its \$100 million 364-day revolving credit agreement with a group of banks, which now terminates in July 2002. Interest is based on defined short-term market rates. During the term of the agreement, MAP is required to pay a facility fee on total commitments, which at December 31, 2001 was 0.11%. At December 31, 2001, there were no borrowings against this facility. Additionally, MAP has a revolving credit agreement with Ashland and Marathon as discussed in Note D.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE L - LONG-TERM DEBT

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Capital lease obligations  
 5% Promissory Note due 2009  
 Revolving credit facilities (a) (b)

Total (c)

- (a) MAP has a \$350 million revolving credit facility with a group of banks that terminates in July 2003. Interest is based on defined short-term market rates. During the term of the agreement, MAP is required to pay a variable facility fee on total commitments, which at December 31, 2001, was 0.125%. At December 31, 2001, there were no borrowings or letters of credit outstanding against the revolving credit facility. In the event that MAP defaults on indebtedness (as defined in the agreement) in excess of \$100 million, MOC has guaranteed the payment of any outstanding obligations.
- (b) In 1998, MAP entered into a revolving credit agreement with Marathon and Ashland for \$500 million that terminated on December 31, 1998, and which was renewed on an uncommitted basis for 1999. This agreement expired on December 31, 1999, but has been extended with an expiration date of March 15, 2002. Interest is based on defined short-term market rates. At December 31, 2001, the unused and available credit was \$500 million.
- (c) Required payments of long-term debt for the years 2004, 2005 and 2006 are \$1 million, \$1 million and \$1 million, respectively. No other significant payments of long-term debt are required in other years.

NOTE M - SUPPLEMENTAL CASH FLOW INFORMATION

	----- 2001 -----
CASH PROVIDED FROM OPERATING ACTIVITIES INCLUDES:	
Interest and other financial costs paid	\$ (2)
Income taxes paid	(5)
NON-CASH INVESTING AND FINANCING ACTIVITIES:	
Liabilities assumed in acquisitions	--
Net assets contributed to joint ventures	246

NOTE N - LEASES

Future minimum commitments for capital and operating leases having noncancelable lease terms in excess of one year are as follows:

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	Capital Leases	Operating Leases
	(Millions)	
2002	\$ 1	\$ 45
2003	1	33
2004	1	23
2005	1	12
2006	1	8
Later years	4	40
Sublease rentals	--	(2)
	-----	-----
Total minimum lease payments	9	\$ 159
		=====
Less imputed interest costs:	(3)	
	-----	
Present value of minimum lease payments included in long-term debt	\$ 6	
		=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE N - LEASES - Continued

Operating lease rental expense:

	Y
	-----
	2001
	-----
Minimum rental	\$ 73
Contingent rental	13
Sublease rentals	(2)
	-----
Net rental expense	\$ 84
	=====

MAP leases a wide variety of facilities and equipment under operating leases, including land and building space, office equipment, production facilities and transportation equipment. Most long-term leases include

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renewal options and, in certain leases, purchase options.

### NOTE O - DERIVATIVE INSTRUMENTS

The following table sets forth quantitative information by category of derivative instrument at December 31, 2001. The amounts exclude the variable margin deposit balances held in various brokerage accounts. MAP did not have any foreign currency contracts in place at December 31, 2001.

(In Millions)	Fair Value Assets (a)	Fair Value (Liabilities) (a)
<hr style="border-top: 1px dashed black;"/>		
NON-HEDGE DESIGNATION (c) :		
Exchange-traded commodity futures	\$ 7	\$ (16)
Exchange-traded commodity options	15	(10)
OTC commodity swaps	5	(6)
OTC commodity options	0	(1)

- (a) The fair value amounts for OTC positions are based on various indices or dealer quotes. The fair value of exchange-traded positions are based on market price changes for each commodity.
- (b) The carrying values represent the value of the derivative instruments. This excludes any margin deposit amounts with respective brokers. These amounts are reflected on a gross basis. MAP's consolidated balance sheet is reflected on a net asset/(liability) basis, as permitted by the master netting agreements, by brokerage firm.
- (c) The table excludes nontraditional derivative instruments which are created due to netting of physical receipts and delivery volumes with the same counterparty. At December 31, 2001, the fair value of these assets and liabilities was \$13 million and \$13 million, respectively.

MAP recorded a net derivative gain of \$209 million in 2001, with a derivative gain of \$226 million recorded in cost of revenues and a derivative loss of \$17 million recorded in revenues. In 2000, MAP recorded a derivative loss of \$205 million, with \$111 million recorded in cost of revenues and \$94 million recorded in revenues. MAP recorded a net derivative gain of \$20 million in 1999, with a derivative gain of \$23 million recorded in cost of revenues and a derivative loss of \$3 million recorded in revenues.

### NOTE P - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of most financial instruments are based on historical costs. The carrying values of cash and cash equivalents, receivables, payables, long-term receivables and long-term debt approximate their fair value.

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MAP's unrecognized financial instruments consist of financial guarantees and commitments to extend credit. It is not practicable to estimate the fair value of these forms of financial instrument obligations because there are no quoted market prices for transactions which are similar in nature. For details relating to financial guarantees, see Note Q.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

### NOTE Q - CONTINGENCIES AND COMMITMENTS

MAP is the subject of, or party to, a number of pending or threatened legal actions, contingencies and commitments involving a variety of matters, including laws and regulations relating to the environment. Certain of these matters are discussed below. The ultimate resolution of these contingencies could, individually or in the aggregate, be material to the MAP financial statements. However, management believes that MAP will remain a viable and competitive enterprise even though it is possible that these contingencies could be resolved unfavorably.

ENVIRONMENTAL MATTERS - MAP is subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites. Penalties may be imposed for noncompliance. Marathon and Ashland have retained the liabilities, subject to certain thresholds, for costs associated with remediating properties conveyed to MAP for conditions existing prior to January 1, 1998. The costs associated with these thresholds are not expected to be material to the MAP financial statements. At December 31, 2001 and 2000, MAP's accrued liabilities for remediation totaled \$13 million and \$10 million, respectively. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties that may be imposed. Receivables for recoverable costs from certain states, under programs to assist companies in clean up efforts related to underground storage tanks at retail marketing outlets, were \$7 million and \$4 million at December 31, 2001 and 2000, respectively.

MAP has made substantial capital expenditures to bring existing facilities into compliance with various laws relating to the environment. In 2001, 2000 and 1999, such capital expenditures for environmental controls totaled \$37 million, \$47 million and \$24 million, respectively. MAP anticipates making additional such expenditures in the future; however, the exact amounts and timing of such expenditures are uncertain because of the continuing evolution of specific regulatory requirements.

On May 11, 2001, MAP entered into a consent decree with the U.S. Environmental Protection Agency which commits it to complete certain agreed upon environmental programs over an eight-year period primarily aimed at reducing air emissions at its seven refineries. This consent decree was approved by the court on August 28, 2001. The current estimated cost to complete these programs is approximately \$300 million in expenditures over the next seven years. In addition, MAP is required to complete certain agreed upon supplemental environmental projects as part of this settlement of an enforcement action for alleged Clean Air Act violations, at a current estimated cost of \$8 million.

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GUARANTEES - At December 31, 2001 and 2000, MAP's pro rata share of obligations of LOCAP LLC and Southcap Pipe Line Company secured by throughput and deficiency agreements totaled \$14 million and \$14 million, respectively. Under the agreements, MAP is required to advance funds if the investees are unable to service debt. Any such advances are treated as prepayments of future transportation charges.

At December 31, 2001, MAP had guaranteed the repayment of \$35 million of the outstanding balance of Centennial Pipeline LLC's Master Shelf Agreement. Once Centennial Pipeline commences operations and achieves certain financial targets, MAP's guarantee will be released.

CONCENTRATION OF CREDIT RISK - MAP is exposed to credit risk in the event of nonpayment by counterparties, a significant portion of which are concentrated in energy related industries. The creditworthiness of customers and other counterparties is subject to continuing review, including the use of master netting agreements, where appropriate. No single customer accounts for more than 5% of annual gross revenues.

COMMITMENTS - At December 31, 2001 and 2000, MAP's contract commitments for capital expenditures for property, plant and equipment totaled \$87 million and \$89 million, respectively.

In May 2001, MAP entered into a Transportation Agreement with Centennial Pipeline LLC in which MAP guarantees to ship certain volumes on the Centennial system or make deficiency payments for any volume shortfall. Any deficiency payment made by MAP will be treated as a prepayment of future transportation charges.

PUT/CALL AGREEMENT - As part of the formation of Pilot Travel Centers LLC (PTC), MAP and Pilot Corporation (Pilot) entered into a Put/Call and Registration Rights Agreement (Agreement). The Agreement provides that any time after September 1, 2006, Pilot can sell its interest in PTC to MAP for an amount of cash and/or MOC, MAP or Ashland equity securities equal to the product of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE Q - CONTINGENCIES AND COMMITMENTS - Continued

90% (95% if paid in securities) of the fair market value of PTC at the time multiplied by Pilot's percentage interest in PTC. At any time after September 1, 2011, under certain conditions MAP will have the right to purchase Pilot's interest in PTC for an amount of cash and/or MOC, MAP or Ashland equity securities equal to the product of 105% (110% if paid in securities) of the fair market value of PTC at the time multiplied by Pilot's percentage interest in PTC.

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EXHIBIT INDEX

NO.	DESCRIPTION
---	-----
23.2	Consent of PricewaterhouseCoopers LLP