ASHLAND INC.
Form 11-K
June 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK
PURCHASE, SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 1-32532

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

ASHLAND INC.

50 E. RiverCenter Boulevard
P.O. Box 391
Covington, Kentucky 41012-0391

Telephone Number (859) 815-3333

INDEX TO FINANCIAL STATEMENT AND REQUIRED SUPPLEMENTARY DATA

* Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Hercules Incorporated Savings and Investment Plan

We have audited the accompanying statements of net assets available for benefits of Hercules Incorporated Savings and Investment Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Hercules Incorporated Savings and Investment Plan as of December 31, 2009 and 2008, and changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held at end of year as of December 31, 2009 and reportable transactions for the year then ended are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Morison Cogen LLP

Bala Cynwyd, Pennsylvania
June 21, 2010

HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
(Dollars in Thousands)

	December 31, 2009	December 31, 2008
ASSETS:		
Investments (at fair value) (Notes 3 and 4)	$382,941	$312,218
Participant Loans Receivable (Notes 3 and 4)	6,050	4,756
Total (at fair value)	388,991	316,974
Contributions receivable	974	942
Total assets	389,965	317,916
LIABILITIES:		
Loan payable (Note 7)	4,018	12,522
Total liabilities	4,018	12,522
Net assets reflecting all investments at fair value	385,947	305,394
Adjustment from fair value to contract value for fully benefit – responsive investment contract	(1,806)	1,144
NET ASSETS AVAILABLE FOR BENEFITS	$384,141	$306,538

The accompanying notes are an integral part of these financial statements

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HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
(Dollars in Thousands)

	Year Ended December 31, 2009	2008
ADDITIONS:		
Increase to net assets attributed to:		
Investment income:		
Interest	$2,820	$3,683
Dividends	5,452	10,342
Contributions:		
Participants	12,113	14,133
Employer	6,591	891
Other	186	26
Net appreciation in fair value of investments (Note 4)	83,375	-
Total Additions	110,537	29,075
DEDUCTIONS:		
Net depreciation in fair value of investments (Note 4)	$-	$83,734
Deductions from net assets attributed to:		
Benefits paid to participants	32,504	27,050
Administrative expenses	124	122
Interest Expense	306	1,128
Total Deductions	32,934	112,034
Net Increase (Decrease)	77,603	(82,959)
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	306,538	389,497
End of year	$384,141	$306,538

The accompanying notes are an integral part of these financial statements

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HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

1. Description of Plan

The following description of the Hercules Incorporated Savings and Investment Plan (the "Plan") provides only general information. The Plan is a defined contribution Internal Revenue Code ("IRC") Section 401(k) plan subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Participants should refer to the Plan document for a more complete description of the Plan's provisions.

On November 13, 2008, Ashland Inc. ("Ashland") completed the acquisition of Hercules Incorporated ("Hercules"), through a subsidiary merger transaction. As a result of this transaction, Hercules became a wholly owned subsidiary of Ashland. At the time of the merger, each share of Hercules common stock was converted into the right to receive 0.093 shares of Ashland common stock, par value $0.01 per share, and $18.60 in cash, without interest, which merger consideration has a value of approximately $23.01 per Hercules share based on Ashland's July 10, 2008 closing stock price.

Upon hire, all United States Hercules (the "Company") employees: (1) are immediately eligible to participate in the Plan; (2) are immediately enrolled in the Plan unless they choose not to participate and (3) obtain immediate, non-forfeitable ("vested") rights to the full market value of their account. At enrollment, participants may elect to contribute up to 15% of their annual wages on either a pre-tax or post-tax basis, or a combination thereof subject to IRC limitations. New participants are deemed to elect to contribute 3% of their wages as pre-tax contributions, unless they elect otherwise.

The Company contributes a matching contribution of 50% of the first 6% of the annual earnings that an employee contributes to the Plan. The matching contribution may be made in shares of stock, cash or may be used to pay down an exempt loan, the proceeds of which were used to acquire company stock held in a suspense account as part of the portion of the Plan that is an employee stock ownership plan (ESOP). To the extent matching contributions are used to pay down an exempt loan, shares of stock are released from the suspense account and allocated to participants' accounts. Since the purchase of the Company by Ashland, the shares of stock in the Plan were exchanged for shares of Ashland Inc. stock. Participants can elect to immediately diversify their Company matching common stock contribution into any Plan investment option. Participants direct the investment of their monthly savings into any of the Plan's investment options, or a combination thereof. Eligible participants are also eligible to receive a performance-based employer contribution based on pre-established performance metrics. For employees hired on or after January 1, 2005, the Company also makes a Basic Retirement Contribution equal to 2% of their earnings each pay period.

The Plan provides for various stock, bond, and fixed income mutual fund investment options and Ashland Inc. common stock. These investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain of these investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in one or more of these or other risks in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

The Plan includes an employee loan provision authorizing participants to borrow a minimum of $1,000 up to a maximum amount that is equal to the lesser of $50,000 or 50% of their vested balances in the Plan. The loans are executed by promissory notes and have a minimum term of 12 months and a maximum term of 60 months, except for qualified residential loans, which have a maximum term of 120 months. The loans bear a reasonable interest rate fixed at the date the loan is granted. The loans are repaid over the term in monthly installments of principal and interest by payroll deduction. A participant also has the right to repay the loan in full at any time without penalty.

Effective January 1, 2005, the Plan was amended to permit variable employer contributions to eligible participants (salaried employees and those union employees who have negotiated participation in the Flexible Benefits Plans). This Performance Retirement Contribution ("PRC") is based on Company performance each year against specific performance targets. Effective January 1, 2009, Company performance may include the metrics deemed advisable or convenient and may include performance of the Company and its parent company and all affiliates. Company performance at target will generate an average PRC contribution equal to 3% of participant's annual wages. If the

HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

1. Description of Plan (continued)

Company's performance exceeds the target, the average contribution could go up to 6% of annual wages. If the Company achieves the target in a given year and generates a 3% pool, the Company will make contributions to the participants' accounts in these amounts:

1.5% of pay for employees with less than 11 years of service.

3% of pay for employees with at least 11, but less than 20 years of service.

4.5% of pay for employees with 20 or more years of service.

The Company performance target for the PRC for both 2009 and 2008 was Operating Cash Flow. Based on performance against target, the Company made a $2,997 PRC for 2009 and no PRC for 2008.

The Vanguard Group ("Trustee") is both the Trustee and Recordkeeper for the Plan.

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue any or all of its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and disclosures of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

In July 2009, the FASB issued guidance now codified as ASC 105-10 "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles," which identifies the sources of accounting principles and the framework for selecting the principles used in preparation of financial statements. ASC 105-10 establishes The FASB Standards Codification™ and interpretative releases of the SEC as the only sources of authoritative U.S. GAAP. This statement is effective for Ashland on September 15, 2009 and will affect any references made to authoritative U.S. GAAP standards in future filings.

The financial statements of the Plan are prepared under the accrual method of accounting. Investments in the Plan are carried at fair value. The fair value of the common stock of Ashland Inc. is based upon the price at which the stock closed on the New York Stock Exchange on the last business day of the year. The market values for funds managed by the Trustee are valued at the net asset value of the shares held by the Plan at year-end, which is based on the fair value of the underlying securities held by the fund. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Withdrawals are recorded upon distribution. The Plan provides that participants who retire from the Company may elect, upon retirement, an Optional Valuation Date ("OVD") for determining their final withdrawal. The OVD is the last business day of any month following retirement, in which the distribution is requested.

Certain amounts in the 2008 financial statements have been reclassified to conform to 2009 presentation.

3. Fair Value Measurements

The financial statements of the Plan are recorded at fair value in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures. ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, summarized below:

Level 1 – Quoted prices in active markets for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

3. Fair Value Measurements (continued)

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc; quoted prices for similar assets in active markets; and input derived from observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Common Stock, Mutual Funds	$258,453	$40,947	$-	$299,400
Guaranteed Investment Contracts	$ -	$ -	$ 83,541	$ 83,541
Participant Loans	$ -	$ -	$ 6,050	$ 6,050
Total	$258,453	$40,947	$89,591	$388,991

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Common Stock, Mutual Funds	$214,533	$10,211	$-	$224,744
Guaranteed Investment Contracts	$ -	$ -	$ 87,474	$ 87,474
Participant Loans	$ -	$ -	$ 4,756	$ 4,756
Total	$214,533	$10,211	$92,230	$316,974

As described in ASC 962, Plan Accounting—Defined Contribution Pension Plans, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the ASC, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis. The Vanguard Retirement Savings Trust in 2009 and 2008 held investment contracts in a common collective trust and are subject to the requirements of the ASC.

HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

3. Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. While, the value of the Ashland Common Stock Fund is determined based on the price of Ashland Common Stock, the fund also holds cash, and therefore is not traded on an exchange or active market. As such, at December 31, 2009, the Ashland Common Stock Fund was categorized as a level two investment rather than level one as presented on December 31, 2008.

Ashland Common Stock Fund: Value is determined based on the underlying investments, which are traded on an exchange and active market.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year-end.

Guaranteed investment contract: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations.

Participant loans: Valued at amortized cost, which approximates fair value.

Changes in the fair value of the Plan's Level 3 investments during the year ended December 31, 2009 were as follows:

	Level 3 Assets		
	Participant Loans	Guaranteed Investment Contracts	Total
Balance at December 31, 2008	$ 4,756	$ 87,474	$ 92,230
Realized and unrealized gains (losses)	-	(3,933)	(3,933)
Issuances and settlements, net	1,294	-	1,294
Balance at December 31, 2009	$ 6,050	$ 83,541	$ 89,591

Changes in the fair value of the Plan's Level 3 investments during the year ended December 31, 2008 were as follows:

	Level 3 Assets		
	Participant Loans	Guaranteed Investment Contracts	Total
Balance at December 31, 2007	$ 4,463	$ 72,037	$ 76,500
Realized and unrealized gains	-	15,437	15,437
Issuances and settlements, net	293	-	293

Balance at December 31, 2008	$ 4,756	$ 87,474	$ 92,230

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HERCULES INCORPORATED SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
(Dollars in Thousands)

4. Investments

The following table presents the fair values of investments held by the Trustee at December 31:

		2009		2008
*Vanguard 500 Index Fund	$	34,327	$	26,868
Vanguard Explorer Fund		6,882		4,820
Vanguard Extended Market Index Fund		7,679		4,747
Vanguard Growth & Income Fund		13,184		12,358
*Vanguard International Growth Fund		21,799		14,545
*Vanguard PRIMECAP Fund		35,008		27,426
Vanguard Prime Money Market		50		—
Vanguard Small-Cap Value Index Fund		7,872		5,689
*Vanguard Total Bond Market Index Fund		27,333		27,786
Vanguard Windsor II Fund		18,207		15,243
*Ashland Common Stock Fund		40,947		10,211
*Vanguard Retirement Savings Trust		83,541		87,474
Vanguard Inflation-Protected Securities Fund		2,335		389
Vanguard Target Retirement 2005 Fund		5,163		5,866
Vanguard Target Retirement 2010 Fund		6,001		5,647
*Vanguard Target Retirement 2015 Fund		18,929		17,338
Vanguard Target Retirement 2020 Fund		14,433		13,825
*Vanguard Target Retirement 2025 Fund		19,572		16,772
Vanguard Target Retirement 2030 Fund		7,471		6,164
Vanguard Target Retirement 2035 Fund		5,536		4,157
Vanguard Target Retirement 2040 Fund		1,974		1,315
Vanguard Target Retirement 2045 Fund		1,707		1,227
Vanguard Target Retirement 2050 Fund		827		265
Vanguard Target Retirement Income		2,164		2,086
	$	382,941	$	312,218
Participant Loans Receivable		6,050		4,756
Total	$	388,991	$	