UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED) FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1994 COMMISSION FILE NUMBER 1-5667

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED) FOR THE TRANSITION PERIOD FROM TO .

CABOT CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	04-2271897
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NUMBER)

75 STATE STREET, BOSTON, MASSACHUSETTS	02109-1806
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

(617) 345-0100
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:	
COMMON STOCK, $1 PAR VALUE PER SHARE:	BOSTON STOCK EXCHANGE
38,005,607 SHARES OUTSTANDING	NEW YORK STOCK EXCHANGE
AT NOVEMBER 22, 1994	PACIFIC STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	

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

The aggregate market value of the registrant's common stock held beneficially or of record by shareholders who are not directors or executive officers of the registrant at November 22, 1994, was approximately $940,000,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Stockholders for the fiscal year ended September 30, 1994 (the "Annual Report") are incorporated by reference in Parts I, II and IV, and portions of the registrant's definitive Proxy Statement for its 1995 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference in Part III.

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PART I

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ITEM 1. BUSINESS

GENERAL

Cabot's business was founded in 1882 and incorporated in the State of Delaware in 1960. The Company is a Fortune 300 Company with businesses in specialty chemicals and materials and in energy. The Company and its affiliates have manufacturing facilities in the United States and 22 other countries.

The term "Cabot" as used in this Report refers to Cabot Corporation. The terms "Company" and "Registrant" mean Cabot and its consolidated subsidiaries.

The description of the Company's businesses is as of September 30, 1994, unless otherwise noted. Information regarding the revenues and operating profits of the Company's business segments and geographic areas appears in the Annual Report at pages 19 and 38.

On August 17, 1994, Cabot effected a two-for-one stock split in the form of a stock dividend of its common stock, $1.00 par value per share ("Common Stock"). In addition, the cash dividend paid on shares of Common Stock on September 9, 1994, was increased to $0.14 per share. In October 1994, Cabot's Board of Directors authorized the purchase of up to 1,500,000 shares of Common Stock, which superseded a previous authorization. Effective September 30, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities", requiring it to reflect investments in equity securities with readily determinable fair values on the balance sheet at their market values as of September 30, 1994.

Additional information regarding significant events affecting the Company in its fiscal year ended September 30, 1994, appears in the Annual Report at pages 17 through 23.

SPECIALTY CHEMICALS AND MATERIALS

The businesses of the Specialty Chemicals and Materials Group manufacture carbon black; fumed silica; thermoplastics concentrates and specialty compounds; electronic materials and refractory metals; and safety, environmental enhancement and energy absorbing products.

CARBON BLACK

Carbon black, a very fine black powder, is used as a reinforcing agent in tires (tire blacks) and other rubber products such as hoses and gaskets (industrial rubber blacks). Non-rubber grades of carbon black, known as special blacks, are used to provide pigmentation, conductivity and ultraviolet protection and for other purposes in many specialty applications such as inks, plastics, cables and coatings. The Company believes that it is the leading manufacturer of carbon black in the world. It estimates that it has about one quarter of the worldwide production capacity and market share for carbon black. The Company competes in the manufacture of carbon black with two companies having an international presence and with at least 20 other companies in various regional markets in which it operates (see "General" on pages 4 and 5).

The Company's carbon black business is operated through a matrix of four regional divisions, European, North American, Pacific Asia and South American, and three sectors, industrial rubber blacks, special blacks and tire blacks. Tire blacks and various grades of industrial rubber blacks are produced in most of the carbon black manufacturing plants owned by the Company and its affiliates. Carbon black plants owned by Cabot or a subsidiary are located in Argentina, Australia, Brazil, Canada, England, France (two plants), Indonesia, Italy, Japan, The Netherlands, Spain and the United States (four plants). Affiliates of the Company own carbon black plants in Colombia, the Czech Republic, India, Japan (three plants), Malaysia, Mexico, The People's Republic of China and Venezuela. During fiscal 1994, the Company consolidated the balance sheet of its Indonesia subsidiary. The Company also completed the closing of its carbon black manufacturing facility in

Hanau, Germany and began operation of its affiliate-owned plant in the Czech Republic. In addition, because of significant on-going losses expected to continue into the future, the Company wrote off its equity investment in its Japanese carbon black manufacturing affiliate. The write-off is not expected to affect the Company's Japanese special blacks subsidiary.

The principal raw materials used in the manufacture of carbon black are carbon black oils derived from petroleum refining operations and from the distillation of coal tars and the production of ethylene throughout the world. The availability of raw materials has not been and is not expected to be a significant factor for the business. Raw material costs are influenced by the cost and availability of oil worldwide and the availability of various types of carbon black oils.

Sales are generally made by Company employees in the countries where carbon black plants are located. Export sales are generally made through distributors or sales representatives in conjunction with Company employees. Sales are made under various trademarks owned by Cabot, of which Black Pearls(R), Cabot(R), Elftex(R), Mogul(R), Monarch(R), Regal(R), Spheron(TM) and Sterling(R) are the best known.

Carbon black research, development and technical service programs conducted within the carbon black businesses are directed toward development of new and improved processes and products, improvements in operating efficiencies and conservation of energy at the Company's plants. The carbon black technology efforts are concentrated in Billerica, Massachusetts with additional facilities in Norcross, Georgia, Pampa, Texas and Leiden, The Netherlands (see also the section headed "Research and Development of the Company" on page 6).

FUMED SILICA

The Company's Cab-O-Sil Division manufactures and sells fumed silica and dispersions thereof under various trademarks including Cab-O-Sil(R). Fumed silica is an ultra-fine, high-purity silica produced by a flame process for use as a reinforcing, thickening, thixotropic, suspending or anti-caking agent in a wide variety of products for the automotive and construction industries and for consumers, including adhesives, cosmetics, inks, lubricants, paints and pharmaceuticals. The headquarters of this business is located in Boston, Massachusetts. Its North American manufacturing plant is located in Tuscola, Illinois. A subsidiary of Cabot owns a manufacturing plant in Wales, and an affiliate of Cabot owns a manufacturing plant in Germany. Raw materials for the production of fumed silica are various chlorosilane feedstocks. The feedstocks are either purchased or toll converted for owners of the materials. The Division has long-term procurement contracts in place which it believes will enable it to meet its raw material requirements. Sales of fumed silica products are made by Company employees and through distributors and sales representatives. There are five principal producers of fumed silica in the world (see "General" on pages 4 and 5). Cabot believes it is the leading producer and seller of this chemical in the United States and second worldwide.

PLASTICS

The Company produces black and white thermoplastic concentrates and specialty compounds for sale to plastic resin producers and the plastics processing industry. Major applications for these materials include pipe and tubing, packaging and agricultural film, automotive components, cable sheathing and special packaging for use in the electronics industry. Sales are made by Company employees and through sales representatives and distributors primarily in Europe and the Far East. This business has manufacturing facilities in Belgium (two plants), England, Hong Kong and Italy. In Europe, the Company is one of the three leading producers of thermoplastic compounds. The main raw materials used in this business are carbon black, titanium dioxide, thermoplastic resins and mineral fillers. Raw materials are in general readily available. The Company also operates a small plastics recycling facility in Belgium.

PERFORMANCE MATERIALS

The Cabot Performance Materials Division serves the electronic materials and refractory metals industries and produces tantalum, niobium (columbium), niobium titanium, cesium, germanium, rubidium and tellurium. Tantalum is produced in various forms including powder, wire, sheet and foil for electrolytic

capacitors. Tantalum and niobium and their alloys are also produced in wrought form for non-electronic applications such as chemical process equipment and the production of superalloys, and for various other industrial, aerospace and medical applications. Tantalum is also used in ballistic munitions produced for the defense industry. The headquarters and the principal manufacturing facility of this business are in Boyertown, Pennsylvania. A wholly-owned subsidiary, Tantalum Mining Corporation of Canada Limited ("Tanco"), holds a leasehold interest in land and certain mineral rights with respect to such land in Manitoba, Canada. Tanco mines and sells tantalite, spodumene, lepidolite and pollucite. Showa Cabot Supermetals K.K., an affiliate of the Company, has a manufacturing plant in Japan. Raw materials are in adequate supply. They are obtained from ores mined principally in Africa, Australia, Brazil and Canada and from by-product tin slags from tin smelting mainly in Malaysia and Thailand. Sales in the United States are made by personnel of the Company with export sales to Europe handled by Company employees and independent European sales representatives. One of the companies which is a sales representative for the Company in Europe is affiliated with Cabot. Sales to Japan and other parts of Asia are handled primarily through employees of the Company's Japanese affiliate. There are currently three principal groups producing tantalum and niobium in the western world. The Company believes that it, together with its Japanese affiliate, is the leading producer of electronic grade tantalum powder and wire products with competitors having greater production in some other product lines (see "General" below).

SAFETY, ENVIRONMENTAL ENHANCEMENT AND ENERGY ABSORBING PRODUCTS

Cabot Safety Corporation ("Cabot Safety"), a wholly-owned subsidiary of Cabot, manufactures and sells personal safety products, as well as energy absorbing, vibration damping and impact absorbing products for industrial noise control and environmental enhancement. Included in personal safety equipment are hearing protection, safety eyewear and respiratory equipment sold to industrial, consumer and health care markets. The products are made from organic polymers, inorganic chemicals and various plastic compounds such as propionates, polyurethanes, polyvinyl chlorides and polycarbonates, supplies of which are readily available. Cabot Safety is headquartered in Southbridge, Massachusetts. Its principal manufacturing facilities are in Southbridge, Indianapolis, Indiana and Newark, Delaware. Significant manufacturing facilities, located in Poynton, England and Mississauga, Canada are leased by subsidiaries of Cabot. Sales are made worldwide through sales representatives and distributors and by Company employees. Cabot Safety competes with a number of companies in its various product lines. The Company believes Cabot Safety is the world leader in disposable hearing protection and is among the leading producers in its other personal safety product lines (see "General" below).

GENERAL

The Company owns and is a licensee of various patents, which expire from time to time, covering many products, processes and product uses of the Specialty Chemicals and Materials Group. Although, taken as a whole, the rights of the Company and the products made and sold under these patents and licenses are important to the Company's businesses, the loss of any particular patent or license would not materially affect the businesses of this Group. Products of this Group are also sold by the Company under a variety of trademarks, the loss of any one of which would similarly not materially affect the businesses of this Group.

The Group's businesses are generally not seasonal in nature, although they experience some decline in sales in the fourth fiscal quarter due to European holiday plant shutdowns. Backlog orders for the Group believed to be firm as of September 30, 1994 were approximately $119,000,000, compared to firm backlog orders as of September 30, 1993, of approximately $95,000,000. All but approximately $6,000,000 of the 1994 backlog orders are expected to be filled during fiscal year 1995.

Six major tire and rubber companies operating worldwide, one special blacks customer operating in Europe and the United States and one fumed silica customer operating in Europe and the United States represent a material portion of the Group's total net sales and operating revenues; the loss of one or more of these customers might materially adversely affect the Group. The Company's specialty chemicals and materials are used in many end uses associated with the automotive industry such as tires, hoses, gaskets, capacitors and paints. The Company's financial results are affected by the cyclical nature of the automotive

industry although a large portion of the market is for replacement tires and other parts which are less subject to automobile industry cycles.

Competition exists on the basis of price, service, quality, product performance and technical innovation in the businesses of this Group. Competitive conditions also result in the need to carry an inventory of raw materials and finished goods in order to meet the customers' needs for prompt delivery of products. Competition in quality, service, product performance and technical innovation is particularly significant for the fumed silica, industrial rubber blacks, special blacks, safety and tantalum businesses. Competition affecting the businesses of the non-carbon black parts of the Group comes from different firms for each product group.

ENERGY

The Company's energy businesses are conducted through two subsidiaries. The businesses include transportation, terminalling and marketing of liquefied natural gas (through Cabot LNG Corporation, a wholly-owned subsidiary) and coal handling and distribution (by TUCO INC., a wholly-owned subsidiary). The headquarters of these companies are located as follows: Cabot LNG Corporation, Boston, Massachusetts, and TUCO INC., Amarillo, Texas. The Company also owns a 15% interest (17% assuming exercise of warrants) in K N Energy, Inc. ("KNE"), a natural gas services and utility company.

LIQUEFIED NATURAL GAS

The Company, through a subsidiary, purchases liquefied natural gas ("LNG") from Sonatrading, an affiliate of Sonatrach, the Algerian national oil and gas company, under a long-term and a medium-term supply contract. Cabot and Sonatrach have each agreed to assure performance of the obligations of their respective affiliates under these agreements. The LNG is stored and resold in the northeastern United States from a facility in Everett, Massachusetts. In 1992, a subsidiary of the Company entered into a long-term contract with Nigeria LNG Limited for the supply of LNG. The contract provides for initial deliveries of LNG commencing in the late 1990s. It is unclear when, if ever, Nigeria LNG Limited will begin construction of an LNG plant. Cabot has entered into a limited guaranty of the subsidiary's payment obligations under the contract with Nigeria LNG Limited for an amount not to exceed $150,000,000 plus the amount of any prior payments by Cabot under the guaranty in respect of which make-up LNG has been delivered to the subsidiary.

The Company has received authorizations from the U.S. Department of Energy to import LNG under the contracts with Sonatrading and Nigeria LNG Limited, as well as blanket authorization to import LNG from other foreign suppliers on a short-term basis. The Company has also received authorization from the Federal Energy Regulatory Commission for sales services. The supply of LNG is currently limited to volumes contracted for with Sonatrading/Sonatrach.

In 1993, the Company was notified by Sonatrach that the renovation of Sonatrach's Algerian LNG production facilities would likely result in a temporary reduction of LNG deliveries to its customers, including the Company. The Company expects the curtailment of LNG from its Algerian supplier to continue at least through fiscal year 1995. The Company has been able to continue to meet its firm sales obligations to customers and is exploring additional sources of supply. Political unrest in Algeria continues. The Company is not able to predict, at this time, what, if any, impact the political instability in Algeria may have on the future supply of LNG from its Algerian supplier. The loss of supply from the Algerian supplier could have a material adverse effect on the business of the Energy Group until additional sources of supply could be obtained. The Company is working with Amoco, British Gas and The National Gas Company of Trinidad and Tobago toward a proposal for the construction of a liquefaction and export facility for LNG in Trinidad.

COAL HANDLING AND DISTRIBUTION

TUCO INC. ("TUCO") purchases coal mined in Wyoming pursuant to long-term and short-term (spot) contracts and transports it by rail to Texas where it processes and sells it to Southwestern Public Service Company ("SPS") pursuant to long-term sales contracts for use in generating electricity. The loss of

SPS as a customer of TUCO could have a material adverse effect on the Energy Group. The supply of coal is regarded as adequate.

OTHER

The Company acquired its investment in KNE in connection with the merger of American Oil and Gas Corporation with a subsidiary of KNE in July 1994. As a result of the adoption by the Company of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities", on September 30, 1994, the Company has reflected its investment in the common stock of KNE at its fair market value as of that date.

GENERAL

The Energy Group is not materially dependent upon any patent, trademark or license. Backlog orders are not significant to this Group. Sales by the coal business are stronger in the summer months in the west Texas area because of electrical demands for air conditioning and agricultural purposes, while sales by the LNG business are stronger in the winter months because of heating demands. No significant working capital is required by this Group other than for coal inventories.

Price competition characterizes the markets served by the LNG business. The Group has numerous competitors including natural gas suppliers and suppliers of alternative fuels.

OTHER INFORMATION

EMPLOYEES

As of September 30, 1994, the Company had approximately 5,400 employees. The Company believes that its relations with its employees are satisfactory. Approximately 620 out of a total of approximately 3,100 employees in the United States are covered by collective bargaining agreements.

RESEARCH AND DEVELOPMENT OF THE COMPANY

The Company develops new and improved products and processes through Company-sponsored research and technical service activities including those initiated in response to customer requests. Expenditures by the Company for such activities are shown on page 24 of the Annual Report and are incorporated herein by reference.

ENVIRONMENT, SAFETY AND HEALTH

The Company's operations are subject to several environmental laws and regulations. Over the past five years, the Company has expended considerable sums to add, improve, maintain and operate facilities for environmental protection. A significant amount of the Company's normal capital projects to improve or replace manufacturing facilities has provided positive environmental benefits. Expenditures for equipment or facilities intended solely for environmental protection are estimated to have been approximately $4,000,000 in fiscal year 1994 and are expected not to exceed $10,000,000 in fiscal 1995. In addition, expenditures of at least $30,000,000 in the aggregate for such equipment and facilities are forecast to be spent in fiscal years 1995, 1996 and 1997 to enable Cabot's U.S. plants to comply with the Clean Air Act. During the next several years, the Company expects to utilize a significant portion of its environmental reserve, currently valued at approximately $44,000,000, to implement remediation plans for various sites. Compliance with the laws and regulations relating to the protection of the environment is not expected to have a material adverse effect on the Company's earnings or competitive position or the Company's ability to make capital expenditures, in the opinion of the Company's management. The Company has been named as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (the "Superfund law") with respect to several sites. See Item 3, "Legal Proceedings," on pages 7 through 9 of this Report for a description of various environmental proceedings.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS, FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Industry segment financial data are set forth in tables included on pages 19 and 38 of the Annual Report and are incorporated herein by reference. A significant portion of the Company's revenues and operating profits is derived from overseas operations. Profitability of the Specialty Chemicals and Materials businesses is affected by fluctuations in the value of the U.S. dollar relative to foreign currencies. The Company's overseas operations do not include any energy-related businesses. See Note N of the Notes to Consolidated Financial Statements for further information relating to sales and profits by geographic area and Management's Discussion and Analysis of Results of Operations and Financial Condition, appearing on page 38 and pages 17 through 23, respectively, in the Annual Report and incorporated herein by reference. Currency fluctuations and nationalization and expropriation of assets are risks inherent in international operations. The Company has taken steps it deems prudent in its international operations to diversify and otherwise to protect against these risks.

ITEM 2. PROPERTIES

The Company owns, operates and leases office, manufacturing, production, terminalling, storage, marketing and research and development facilities in the United States and in foreign countries.

The principal facilities of the Company's business units are described generally in Item 1 above.

The principal facilities owned by the Company in the United States are: (i) its carbon black manufacturing plants in Louisiana, Texas and West Virginia (comprising approximately 77,500 square yards); (ii) its research and development facilities in Illinois, Massachusetts, Pennsylvania and Texas and its applications development facility in Georgia (comprising approximately 29,790 square yards); (iii) administrative offices and manufacturing plants of its Cab-O-Sil, Cabot Safety and Cabot Performance Materials business units in Delaware, Illinois, Indiana and Pennsylvania (comprising approximately 92,650 square yards); and (iv) its LNG terminalling and storage facility in Massachusetts (approximately 3,250 square yards). Portions of plants in Louisiana referred to above are constructed on long-term ground leases.

The Company's principal foreign facilities are owned by subsidiaries and together they comprise approximately 365,000 square yards of manufacturing facilities, 3,900 square yards of research and development facilities, and 60,500 square yards of administrative facilities.

The principal facilities leased by the Company in the United States are: (i) its corporate headquarters in Boston, Massachusetts and the administrative offices of the LNG companies in Boston, the carbon black operations in Georgia and the Cabot Performance Materials business in Pennsylvania (comprising approximately 15,600 square yards); and (ii) the administrative offices and manufacturing facilities of Cabot Safety in Delaware, Indiana and Massachusetts (comprising approximately 53,100 square yards).

The principal facilities leased by subsidiaries in locations outside of the United States are the administrative offices and manufacturing facilities of the carbon black operations in France, Indonesia and Spain, the Plastics business in Belgium and Cabot Safety in Canada and England as well as the Tanco leasehold interest in Canada (comprising approximately 170,500 square yards).

The Company's offices and manufacturing facilities are generally suitable and adequate for their intended purposes. Existing manufacturing facilities of the Company are in general adequate for the Company's requirements.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in various lawsuits and environmental proceedings wherein substantial amounts are claimed. The following is a description of the significant proceedings pending as of September 30, 1994:

Environmental Proceedings

In 1994, Cabot and the State of Florida signed a settlement of a 1983 state court lawsuit requiring Cabot to pay the State $650,000 in past costs associated with a site in Gainesville, Florida. The site included a parcel of land on which Cabot owned and operated a pine tar distillation plant. Cabot is scheduled to install a groundwater extraction system and remove the contaminated soil found during the design phase at an estimated design and implementation cost of approximately $3,100,000 (including $1,400,000 in costs already spent).

In April 1985, Cabot and five other companies entered into a consent order with the U.S. Environmental Protection Agency ("EPA") under the Superfund law to perform a remedial investigation and feasibility study with respect to the King of Prussia Technical Corp. site in Winslow Township, New Jersey. A Record of Decision ("ROD") has been issued by the EPA specifying a combination of remedial actions for the site at an estimated cost of almost $15,000,000. The EPA issued an administrative order directing Cabot and four other companies to design and complete the remedial measures; much of the work on site remediation has been completed. Cabot and the other companies involved have not yet reached agreement on the portions of the costs to be borne by each.

Beginning in May 1986, the Department of Environmental Protection of the State of New Jersey ("NJDEP") issued directives under the New Jersey Spill Compensation and Control Act to Cabot and other potentially responsible parties ("PRPs") to fund a remedial investigation for the cleanup of hazardous waste at the Old Bridge Township landfill near Perth Amboy, New Jersey. Cabot and other parties contributed funds for a remedial investigation and feasibility study which was conducted by a consultant to the NJDEP. In September 1992, the EPA issued a ROD specifying certain remedial actions and indicating that a second ROD would be issued following further study. Preliminary action on the first ROD has been taken by the NJDEP. The second ROD has not been issued. It is not possible at this point to identify what the remediation costs for this site will be or what Cabot's portion of such costs will be.

In 1989, the United States filed a claim in the United States District Court for the Eastern District of Pennsylvania against 18 defendants under the Superfund law for recovery of the EPA's cleanup costs at Moyer's Landfill in Collegeville, Pennsylvania, estimated to be $48,000,000. For several years, Moyer's Landfill was used for the disposal of municipal and industrial wastes by numerous parties, including Cabot. More than 100 additional parties, including Cabot, were brought into the litigation by means of a third-party complaint. Recently, the EPA announced that it had reached settlements with certain de minimis parties. Negotiations continue with the other parties including Cabot.

In 1989 and 1990, respectively, Cabot completed a remedial investigation and feasibility study of its former beryllium processing plant in Hazleton, Pennsylvania, and submitted the study to the Pennsylvania Department of Environmental Resources ("DER"). An environmental consultant retained by Cabot has designed and Cabot has implemented certain of the remedial measures described in the study. In April 1991, the DER issued a wastewater discharge permit to Cabot but included certain limitations to which Cabot objected by filing an appeal with the Pennsylvania Environmental Hearing Board. In August 1993, the DER and Cabot resolved the issues on appeal in a manner satisfactory to both parties and the appeal was withdrawn. Source control remediation efforts by Cabot are continuing.

Cabot is one of approximately 25 parties identified by the EPA as PRPs under the Superfund law with respect to the cleanup of Fields Brook (the "Brook"), a tributary of the Ashtabula River in northeastern Ohio. From 1963 to 1972, Cabot owned two manufacturing facilities located beside the Brook. The EPA has specified a remedy for the site but continues to assess the condition of the Brook. Cleanup is expected to begin in 1996. In March 1989, the EPA issued an administrative order under Section 106 of the Superfund law directing 19 companies, including Cabot, to perform design and other preliminary work relating to the specified remedy for the proposed cleanup of portions of the Brook. In September 1989, the United States filed suit in the United States District Court for the Northern District of Ohio seeking to recover past governmental investigatory costs. The cost recovery claims have been settled and the action has been stayed pending the result of arbitration proceedings under a Cooperation Agreement which provides for the sharing of past and future remedial and investigatory costs incurred in implementing the EPA's 1989 order. The EPA

has indicated that remediation may be required at the plant sites along the Brook, including at least one of the facilities formerly operated by Cabot. The State of Ohio has also notified Cabot and several other companies that it will seek damages for injury to natural resources at the Brook. Cabot is also participating in arbitration proceedings with succeeding plant owners regarding costs associated with remediation of the Brook and the plant site. In 1994, Detrex Chemical Industries, Inc. filed third-party complaints against eight companies, including Cabot, in connection with material allegedly sent to the Koski/RES landfill in Ashtabula, Ohio. At present there is no evidence that the material allegedly sent by Cabot to that landfill will result in liability for cleanup costs.

Cabot has received various requests for information and notifications that it may be a PRP at several other Superfund sites.

As of September 30, 1994, approximately $44,000,000 was accrued for environmental proceedings by the Company. The amount represents the Company's current best estimate of costs likely to be incurred based on its analysis of the extent of cleanup required, methods available, abilities of other responsible parties to contribute and its interpretation of applicable laws and regulations at each site.

Breast Implant Litigation

Fumed silica supplied by Cabot was used by others in the manufacture of silicone breast implant envelopes. There are currently pending more than 10,000 lawsuits in state and federal courts alleging injuries against various parties arising from the use of silicone breast implants. The federal cases have been consolidated in the Multi-District Litigation pending in the United States District Court for the Northern District of Alabama. Generally, the various state cases have been similarly consolidated in each jurisdiction. In addition, arrangements have been made for consolidated discovery in all actions. A so-called "global settlement" between certain classes of plaintiffs who have not "opted out" and certain defendants (not including Cabot) has been approved by the United States District Court for the Northern District of Alabama. Plaintiffs who have opted out of the settlement are now free to proceed with their own claims.

Cabot has been named as a defendant in fewer than 100 breast implant lawsuits. Cabot has been dismissed as a defendant from a number of those suits, without any settlement payments, and has been granted summary judgment (subject to appeal) in others. Cabot believes that it has adequate defenses in each of the lawsuits in which it is a defendant. However, the scientific, legal and societal issues raised by these cases are complex and the outcome is uncertain. Cabot, therefore, cannot predict with any assurance the course this litigation will take, the number of cases to which Cabot will be added as a defendant, the amount of damages, if any, that may be assessed against Cabot or the defense costs that will be incurred by Cabot.

Other Proceedings

Cabot has been named as one of many defendants in a lawsuit, now pending in federal district court in Oklahoma, brought by a large group of plaintiffs alleging personal injury due to exposure to and contact with certain chemicals and materials allegedly manufactured by the defendants. Plaintiffs seek actual and punitive damages against all defendants, jointly and severally, in the aggregate amount of $1,250,000,000. Cabot is currently investigating this matter to ascertain what products, if any, were manufactured by it that are of any relevance to this litigation.

The Company has various other lawsuits, claims and contingent liabilities arising in the ordinary course of its business. In the opinion of the Company, although final disposition of all of its suits and claims may impact the Company's financial statements in a particular period, it should not, in the aggregate, have a material adverse effect on the Company's financial position. See Note L of the Notes to the Company's Consolidated Financial Statements on page 37 of the Annual Report.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below, as of November 22, 1994, for each executive officer of Cabot is information regarding his age, position(s) with Cabot, the periods during which he has served as an officer and his business experience during at least the past five years:

NAME	AGE	OFFICES HELD/BUSINESS EXPERIENCE	DATES HELD
Samuel W. Bodman.............	55	Cabot Corporation	
		Chairman of the Board	October 1988 to present
		President	February 1991 to present, January 1987 to October 1988
		Chief Executive Officer	February 1988 to present
		FMR Corp. (investment advisor and mutual fund manager), President and Chief Operating Officer	1983 to December 1986
John G.L. Cabot..............	60	Cabot Corporation	
		Vice Chairman of the Board	October 1988 to present
		Chief Financial Officer	October 1992 to present
		Executive Vice President	January 1985 to October 1988
Kennett F. Burnes............	51	Cabot Corporation	
		Executive Vice President	October 1988 to present
		Secretary	February 1988 to October 1988
		Vice President and General Counsel	November 1987 to October 1988
		Choate, Hall & Stewart (law firm), Partner	1976 to November 1987
John D. Curtin, Jr...........	61	Cabot Corporation	
		Executive Vice President	July 1989 to present
		Chief Financial Officer	July 1989 to October 1992
		Curtin & Co., Incorporated (investment banking), President, Chief Executive Officer and Director	1974 to June 1989
Robert Rothberg..............	45	Cabot Corporation	
		Vice President and General Counsel	October 1993 to present
		Choate, Hall & Stewart (law firm), Partner	January 1982 to October 1993
William R. Thompson..........	59	Cabot Corporation	
		Vice President and Controller	November 1989 to present
		Kurzweil Music Systems, Inc. (computerized musical instruments), President, Chief Operating Officer and Director	May 1985 to June 1989

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Cabot's common stock is listed for trading (symbol CBT) on the New York, Boston and Pacific Stock Exchanges. As of September 30, 1994, there were approximately 2,100 holders of record of Cabot's common stock. The price range in which the stock has traded, as reported on the composite tape, and the quarterly and total cash dividends per share paid in the past two fiscal years are shown below, restated to reflect the two-for-one stock split in August 1994.

STOCK PRICE AND DIVIDEND DATA

FISCAL 1994	DEC. QTR.	MARCH QTR.	JUNE QTR.	SEPT. QTR.	YEAR
Cash dividends per share..........	$ 0.13	$ 0.13	$ 0.13	$ 0.14	$ 0.53
Price range of common stock:					
High..............................	$29.19	$28.00	$26.63	$28.38	$29.19
Low...............................	$26.13	$25.56	$24.44	$25.13	$24.44
Close.............................	$26.94	$27.00	$25.56	$27.25	$27.25

FISCAL 1993	DEC. QTR.	MARCH QTR.	JUNE QTR.	SEPT. QTR.	YEAR
Cash dividends per share..........	$ 0.13	$ 0.13	$ 0.13	$ 0.13	$ 0.52
Price range of common stock:					
High..............................	$24.81	$21.94	$24.38	$28.13	$28.13
Low...............................	$20.56	$18.63	$19.81	$23.31	$18.63
Close.............................	$21.69	$21.25	$24.38	$27.75	$27.75

ITEM 6. SELECTED FINANCIAL DATA

Cabot Corporation Selected Financial Data:
(Dollars in Thousands, Except Per Share Amounts)

	YEARS ENDED SEPTEMBER 30				
	1994	1993	1992	1991	1990
Financial Highlights					
Net sales and other operating revenues from continuing operations................	$1,679,819	$1,614,315	$1,556,986	$1,482,089	$ 1,547,910
Income from continuing operations................	$ 78,691	$ 37,410	$ 62,223	$ 39,825	$ 41,875
Long-term debt..............	$ 307,828	$ 459,275	$ 479,882	$ 369,609	$ 480,762
Minority interest............	$ --	$ --	$ 9,756	$ --	$ 18,642
Stockholders' equity.........	$ 562,489	$ 442,273	$ 492,955	$ 426,863	$ 570,589
Total capitalization......	$ 870,317	$ 901,548	$ 982,593	$ 796,472	$1,069,993
Total assets...................	$1,616,756	$1,489,473	$1,554,529	$1,462,396	$1,731,909
Per Share:					
Income from continuing operations................	$ 1.96	$ 0.90(a)	$ 1.59	$ 0.85	$ 0.77(c)
Net income...................	$ 1.96	$ 0.20(b)	$ 1.59	$ 2.90	$ 1.37
Cash dividends...............	$ 0.53	$ 0.52	$ 0.52	$ 0.52	$ 0.52
Average shares outstanding -- thousands....................	38,249	37,438	36,802	42,556	49,162

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(a) Includes charges of $0.83 per share for the restructuring of the Company's Specialty Chemicals and Materials businesses and favorable energy accrual adjustment of $0.23 per share. (see Item 7)
(b) Includes a charge of $0.70 per share for the cumulative effect of required accounting changes.
(c) Includes charges of $0.26 per share for take-or-pay provisions related to the divestiture of selected energy businesses.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information required by this Item appears in the Annual Report on pages 17 through 23 and is incorporated herein by reference.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item appears in the Annual Report on pages 24 through 39 and is incorporated herein by reference.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

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ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required regarding the executive officers of Cabot is included in Part I in the unnumbered item captioned "Executive Officers of the Registrant." Certain other information required regarding the directors of Cabot is contained in the Proxy Statement on pages 2 through 6 under the heading "Certain Information Regarding Directors." All of such information is incorporated herein by reference.

The information required regarding the filing of reports by directors, executive officers and 10% stockholders with the Securities and Exchange Commission relating to transactions in Cabot stock is contained in the Proxy Statement on page 15 under the heading "Certain Securities Filings" and is incorporated herein by reference.

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ITEM 11. EXECUTIVE COMPENSATION

The information required is contained in the Proxy Statement on pages 9 through 12 under the heading "Executive Compensation." All of such information is incorporated herein by reference.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required is contained in the Proxy Statement on pages 7 through 9 under the heading "Beneficial Stock Ownership of Directors, Executive Officers and Persons Owning More than Five Percent of Common Stock." All of such information is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

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PART IV

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

(a) Financial Statements. The following are incorporated herein by reference in this Report from the indicated pages of the Company's Annual Report:

	DESCRIPTION	PAGE
(1)	Consolidated Statements of Income for each of the three fiscal years in the period ended September 30, 1994	24
(2)	Consolidated Balance Sheets at September 30, 1994 and 1993	25 to 26
(3)	Consolidated Statements of Cash Flows for each of the three fiscal years in the period ended September 30, 1994	27
(4)	Notes to Consolidated Financial Statements	28 to 39
(5)	Statement of Management Responsibility for Financial Reporting and Report of Independent Accountants relating to the Consolidated Financial Statements listed above	40

(b) Reports on Form 8-K. None

(c) Exhibits. (not included in copies of the Form 10-K sent to stockholders)

The exhibit numbers in the following list correspond to the numbers assigned to such exhibits in the Exhibit Table of Item 601 of Regulation S-K. The Company will furnish to any stockholder, upon written request, any exhibit listed below upon payment by such stockholder to the Company of the Company's reasonable expenses in furnishing such exhibit.

EXHIBIT NUMBER	DESCRIPTION
3(a)	--Certificate of Incorporation of Cabot Corporation restated effective October 24, 1983, as amended February 14, 1985, December 3, 1986, February 19, 1987, and November 18, 1988 (incorporated herein by reference to Exhibit 3(a) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1988, file reference 1-5667, filed with the Commission on December 29, 1988).
3(b)	--The By-laws of Cabot Corporation as of January 11, 1991 (incorporated herein by reference to Exhibit 3(b) of Cabot's Annual Report on Form 10- K for the year ended September 30, 1991, file reference 1-5667, filed with the Commission on December 27, 1991).
4(a)(i)	--Rights Agreement, dated as of November 14, 1986, amended and restated as of August 12, 1988, between Cabot Corporation and The First National Bank of Boston as Rights Agent (incorporated herein by reference to Exhibit 1 of Cabot's Current Report on Form 8-K, dated August 12, 1988, file reference 1-5667, filed with the Commission).
4(a)(ii)	--Amendment to Rights Agreement dated as of November 15, 1990 (incorporated herein by reference to Exhibit 4(a)(ii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1990, file reference 1-5667, filed with the Commission on December 24, 1990).
4(b)(i)	--Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (incorporated herein by reference to Exhibit 4 of Amendment No. 1 to Cabot's Registration Statement on Form S-3, Registration No. 33-18883, filed with the Commission).
4(b)(ii)	--First Supplemental Indenture dated as of June 17, 1992, to Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (incorporated by reference to Exhibit 4.3 of Cabot's Registration Statement on Form S-3, Registration Statement No. 33-48686, filed with the Commission).
4(c)(i)+	--Finance Agreement between P.T. Cabot Chemical and Overseas Private Investment Corporation dated September 10, 1991.

EXHIBIT NUMBER	DESCRIPTION
4(c)(ii)+	--Facility Agreement and Acknowledgement of Indebtedness (The Hongkong and Shanghai Banking Corporation Limited) dated January 10, 1992.
4(c)(iii)+	--Project Completion Agreement between Cabot, P.T. Cabot Chemical and The Hongkong and Shanghai Banking Corporation Limited dated April 28, 1992.
10(a)	--Form of Distribution Agreement between Cabot Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch & Co., Goldman Sachs & Co., and J.P. Morgan Securities Inc. for the issuance and sale of medium-term notes pursuant to a prospectus supplement dated July 17, 1992 (incorporated herein by reference to Exhibit 1 of Cabot's Current Report on Form 8-K, dated July 17, 1992, file reference 1-5667, filed with the Commission).
10(b)	--Credit Agreement, dated as of January 13, 1994, among Cabot Corporation and 11 banks and Morgan Guaranty Trust Company of New York, as agent for the banks (incorporated by reference to Exhibit 4 of Cabot's Quarterly Report on Form 10-Q for the quarter ended December 31, 1993, file reference 1-5667, filed with the Commission on February 16, 1993).
10(c)*	--Equity Incentive Plan, as amended (incorporated herein by reference to Exhibit 99 of Cabot's Registration Statement on Form S-8, Registration No. 33-53659, filed with the Commission).
10(d)	--Note Purchase Agreement between John Hancock Mutual Life Insurance Company, State Street Bank and Trust Company, as trustee for the Cabot Corporation Employee Stock Ownership Plan, and Cabot Corporation, dated as of November 15, 1988 (incorporated herein by reference to Exhibit 10(c) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1988, file reference 1-5667, filed with the Commission on December 29, 1988).
10(e)(i)*	--Supplemental Cash Balance Plan, filed herewith.
10(e)(ii)*	--Supplemental Employee Stock Ownership Plan, filed herewith.
10(e)(iii)*	--Supplemental Retirement Incentive Savings Plan, filed herewith.
10(e)(iv)*	--Supplemental Employee Benefit Agreement for John G.L. Cabot (incorporated herein by reference to Exhibit 10(f) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1987, file reference 1-5667, filed with the Commission on December 28, 1987).
10(f)*	--Form of severance agreement entered into between Cabot and various managers (incorporated by reference to Exhibit 10(g) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1991, file reference 1-5667, filed with the Commission on December 27, 1991).
10(g)	--Group Annuity Contract No. GA-6121 between The Prudential Insurance Company of America and State Street Bank and Trust Company, dated June 28, 1991 (incorporated herein by reference to Exhibit 10(h) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1991, file reference 1-5667, filed with the Commission on December 27, 1991).
10(h)*	--Non-employee Directors' Stock Compensation Plan (incorporated herein by reference to Exhibit A of Cabot's Proxy Statement for its 1992 Annual Meeting of Stockholders, file reference 1-5667, filed with the Commission on December 27, 1991).
10(i)(i)	--Amended and Restated Omnibus Acquisition Agreement among American Oil and Gas Corporation, Cabot Corporation and Cabot Transmission Corporation, dated as of November 13, 1989 (incorporated herein by reference to Exhibit (2) of Cabot's Current Report on Form 8-K, dated November 16, 1989, file reference 1-5667, filed with the Commission).
10(i)(ii)	--Amended and Restated Basket Agreement among American Oil and Gas Corporation, American Pipeline Company, Cabot Corporation and Cabot Transmission Corporation, dated as of June 30, 1990 (incorporated herein by reference to Exhibit 10(n) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1990, file reference 1-5667, filed with the Commission on December 24, 1990).

EXHIBIT NUMBER	DESCRIPTION
10(i)(iii)	--First Amendment, dated March 31, 1992, to Amended and Restated Omnibus Acquisition Agreement among American Oil and Gas Corporation, Cabot Corporation and Cabot Transmission Corporation, dated as of November 13, 1989, and to Amended and Restated Basket Agreement among American Oil and Gas Corporation, American Pipeline Company, Cabot Corporation and Cabot Transmission Corporation, dated as of June 30, 1990 (incorporated herein by reference to Exhibit 10(i)(ii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1992, file reference 1-5667, filed with the Commission on December 24, 1992).
10(j)	--Agreement for the Sale and Purchase of Liquefied Natural Gas and Transportation Agreement, dated April 13, 1976, between Sonatrach and Distrigas Corporation, and Amendment No. 3 to said Agreement, dated February 21, 1988, filed herewith.
10(k)	--Agreement for the Sale and Purchase of Liquefied Natural Gas and Transportation Agreement, dated December 11, 1988, between Sonatrading and Distrigas Corporation (incorporated herein by reference to Exhibit 10(p) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1989, file reference 1-5667, filed with the Commission on December 28, 1989).
10(l)	--Contract for sale of vessel GAMMA between Cabot LNG Shipping Corporation and the United States of America, dated September 18, 1990 (incorporated herein by reference to Exhibit 10(q) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1990, file reference 1-5667, filed with the Commission on December 24, 1990).
10(m)	--Mutual Assurances Agreements among Cabot Corporation, L'Entreprise Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach"), Distrigas Corporation and Sonatrading Amsterdam B.V. dated February 21, 1988 and December 11, 1988, respectively (incorporated herein by reference to Exhibit 10.1 of Cabot's Current Report on Form 8-K, dated July 17, 1992, file reference 1-5667, filed with the Commission).
10(n)	--LNG Sale and Purchase Agreement between Distrigas Corporation and Nigeria LNG Limited, dated June 15, 1992 (incorporated herein by reference to Exhibit 10.2 to Cabot's Current Report on Form 8-K, dated July 17, 1992, file reference 1-5667, filed with the Commission).
10(o)(i)	--Agreement between K N Energy, Inc. ("KNE"), American Oil and Gas Corporation ("AOG") and Cabot, dated June 27, 1994 (incorporated herein by reference to Exhibit 1 of Cabot's Schedule 13D relating to KNE, file reference 1-5667, filed with the Commission on July 22, 1994 (the "KNE Schedule 13D").
10(o)(ii)	--Registration Rights Agreement between KNE and Cabot, dated July 13, 1994 (incorporated herein by reference to Exhibit 2 of the KNE Schedule 13D).
10(o)(iii)	--Share Transfer and Registration Agreement between KNE and Cabot, dated July 13, 1994 (incorporated herein by reference to Exhibit 3 of the KNE Schedule 13D).
10(o)(iv)	--KNE By-law provision, filed herewith.
10(o)(v)	--Request of Cabot for No Action Letter from staff of Securities and Exchange Commission, dated June 28, 1994, and reply, dated July 6, 1994, filed herewith.
10(o)(vi)	--Application of Cabot for Declaration of Non-holding Company Status Pursuant to Section 2(a)(7) of the Public Utility Holding Company Act of 1935, dated, July 11, 1994, filed herewith.
11	--Statement Re Computation of Per Share Earnings, filed herewith.
12	--Statement Re Computation of Ratio of Earnings to Fixed Charges, filed herewith.
13	--Pages 17 through 40 of the 1994 Annual Report to Stockholders of Cabot Corporation, a copy of which is furnished for the information of the Securities and Exchange Commission. Portions of the Annual Report not incorporated herein by reference are not deemed "filed" with the Commission.

EXHIBIT NUMBER	DESCRIPTION
21	--List of Significant Subsidiaries, filed herewith.
24(a)	--Power of attorney for signing of this Annual Report on Form 10-K, dated November 11, 1994, filed herewith.
24(b)	--Certified copy of vote of Cabot's Board of Directors of October 14, 1994, authorizing the execution and filing of this Annual Report on Form 10-K, filed herewith.
27	--Financial Data Schedule, filed herewith.

+ The Registrant agrees to furnish to the Commission upon request a copy of these instruments with respect to long-term debt (not filed as an exhibit), none of which relates to securities exceeding 10% of the total assets of the Registrant and its consolidated subsidiaries.

* Management contract or compensatory plan or arrangement.

(d) Schedules. The following Consolidated Schedules and information appear on page 20 and pages S-1 to S-5 of this Report:

Report of Independent Accountants on Schedules.

V.	Property, Plant and Equipment.
VI.	Accumulated Depreciation and Amortization of Property, Plant and Equipment.
IX.	Short-Term Borrowings.
X.	Supplementary Income Statement Information.
XIII.	Other Investments.

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned Registrant undertakes as follows, which undertaking shall be incorporated by reference into Registrant's Registration Statement on Form S-8, Registration No. 33-28699 (filed May 12, 1989), the Registrant's Registration Statement on Form S-8, Registration No. 33-52940 (filed October 5, 1992) and the Registrant's Registration on Form S-8, Registration No. 33-53659 (filed May 16, 1994).

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CABOT CORPORATION (Registrant)

/s/ SAMUEL W. BODMAN
By.................................
SAMUEL W. BODMAN, Chairman of the Board, President and Chief Executive Officer

Date: December 20, 1994

Pursuant to the requirement of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ SAMUEL W. BODMAN .... SAMUEL W. BODMAN	Chairman of the Board, President and Director (Principal Executive Officer)	December 20, 1994
/s/ JOHN G.L. CABOT .... JOHN G.L. CABOT	Director, Vice Chairman of the Board and Chief Financial Officer (Principal Financial Officer)	December 20, 1994
/s/ WILLIAM R. THOMPSON .... WILLIAM R. THOMPSON	Vice President and Controller (Principal Accounting Officer)	December 20, 1994
* .... DAMARIS AMES	Director	December 20, 1994
* .... JANE C. BRADLEY	Director	December 20, 1994
* .... KENNETT F. BURNES	Director	December 20, 1994
* .... ROBERT A. CHARPIE	Director	December 20, 1994
* .... JOHN D. CURTIN, JR.	Director	December 20, 1994
* .... ROBERT P. HENDERSON	Director	December 20, 1994
* .... ARNOLD S. HIATT	Director	December 20, 1994

SIGNATURES	TITLE	DATE
.... GERRIT JEELOF	Director	December 20, 1994
* .... JOHN H. MCARTHUR	Director	December 20, 1994
* .... JOHN F. O'BRIEN	Director	December 20, 1994
* .... DAVID V. RAGONE	Director	December 20, 1994
* .... CHARLES P. SIESS, JR.	Director	December 20, 1994
* .... MORRIS TANENBAUM	Director	December 20, 1994
* .... LYDIA W. THOMAS	Director	December 20, 1994

/s/ CHARLES D. GERLINGER
*By..
CHARLES D. GERLINGER
AS ATTORNEY-IN-FACT

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of
Cabot Corporation:

Our report on the consolidated financial statements of Cabot Corporation is incorporated by reference in this Form 10-K from page 40 of the 1994 Annual Report to Stockholders of Cabot Corporation. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the Index on page 17 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Boston, Massachusetts
November 1, 1994

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Cabot Corporation on Form S-3 (File No. 33-48686) and on Forms S-8 (File No. 33-28699, No. 33-52940 and No. 33-53659) of (1) our report dated November 1, 1994, on our audits of the consolidated financial statements of Cabot Corporation as of September 30, 1994 and 1993, and for each of the three years in the period ended September 30, 1994, which report is included in the 1994 Annual Report to Stockholders of Cabot Corporation, filed as Exhibit 13 to this Annual Report on Form 10-K; and (2) our report dated November 1, 1994, on our audits of the financial statement schedules of Cabot Corporation as of September 30, 1994 and 1993, and for each of the three years in the period ended September 30, 1994, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Boston, Massachusetts
December 20, 1994

CABOT CORPORATION CONSOLIDATED

SCHEDULE V
PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED SEPTEMBER 30, 1994
(DOLLARS IN 000'S)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES/ ADD (DEDUCT)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OTHER	BALANCE AT END OF PERIOD
Specialty Chemicals and Materials..............	$1,156,692	$70,628	$(18,720)	$34,522	$45,525(a)	$1,288,647
Energy...................	91,566	2,923	(3,194)			91,295
General corporate........	1,970	4	(340)			1,634
Total..........	$1,250,228	$73,555	$(22,254)	$34,522	$45,525	$1,381,576

YEAR ENDED SEPTEMBER 30, 1993
(DOLLARS IN 000'S)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES/ ADD (DEDUCT)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OTHER	BALANCE AT END OF PERIOD
Specialty Chemicals and Materials...............	$1,182,186	$63,943	$(7,938)	$ (87,114)	$5,615(b)	$1,156,692
Energy....................	90,860	706				91,566
General corporate.........	1,610	360				1,970
Total...........	$1,274,656	$65,009	$(7,938)	$ (87,114)	$5,615	$1,250,228

YEAR ENDED SEPTEMBER 30, 1992
(DOLLARS IN 000'S)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES/ ADD (DEDUCT)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OTHER	BALANCE AT END OF PERIOD
Specialty Chemicals and Materials..............	$1,042,090	$76,519	$(8,542)	$42,680	$29,439(c)	$1,182,186
Energy...................	89,581	1,279				90,860
General corporate........	5,162	272	(3,824)			1,610
Total..........	$1,136,833	$78,070	$(12,366)	$42,680	$29,439	$1,274,656

(a) Consolidation of Indonesia subsidiary, which was accounted for on an equity basis in 1993.
(b) Write-up in basis upon purchase of remaining equity interest in Brazil subsidiary.
(c) Consolidation of Brazil subsidiary, which was accounted for on an equity basis in 1991.

CABOT CORPORATION CONSOLIDATED

SCHEDULE VI

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED SEPTEMBER 30, 1994
(DOLLARS IN 000'S)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES/ ADD (DEDUCT)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	DEPRECIATION	RETIREMENTS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OTHER	BALANCE AT END OF PERIOD
Specialty Chemicals and Materials	$570,125	$76,755	$(15,947)	$15,994	$7,008(a)	$653,935
Energy	33,036	2,813	(3,185)			32,664
General corporate	547	225	(303)			469
Total	$603,708	$79,793	$(19,435)	$15,994	$7,008	$687,068

YEAR ENDED SEPTEMBER 30, 1993
(DOLLARS IN 000'S)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES/ ADD (DEDUCT)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	DEPRECIATION	RETIREMENTS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OTHER	BALANCE AT END OF PERIOD
Specialty Chemicals and Materials	$540,886	$74,815	$(5,446)	$ (40,130)		$570,125
Energy	30,208	2,828				33,036
General corporate	346	201				547
Total	$571,440	$77,844	$(5,446)	$ (40,130)	$ 0	$603,708

YEAR ENDED SEPTEMBER 30, 1992
(DOLLARS IN 000'S)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E		COLUMN F
				OTHER CHANGES/ ADD (DEDUCT)		
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	DEPRECIATION	RETIREMENTS	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	OTHER	BALANCE AT END OF PERIOD
Specialty Chemicals and Materials	$436,819	$72,262	$(6,070)	$20,235	$17,640(b)	$540,886
Energy	27,490	2,718				30,208
General corporate	2,098	199	(1,951)			346
Total	$466,407	$75,179	$(8,021)	$20,235	$17,640	$571,440

(a) Consolidation of Indonesia subsidiary, which was accounted for on an equity basis in 1993.
(b) Consolidation of Brazil subsidiary, which was accounted for on an equity basis in 1991.

CABOT CORPORATION CONSOLIDATED

SCHEDULE IX

SHORT-TERM BORROWINGS

FOR THE THREE YEARS ENDED SEPTEMBER 30, 1994

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF YEAR	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE YEAR	AVERAGE AMOUNT OUTSTANDING DURING THE YEAR	WEIGHTED AVERAGE INTEREST RATE DURING THE YEAR
1994					
Banks and financial institutions............	$26,480,000	8%	$66,588,000	$33,170,000	7%
1993					
Banks and financial institutions............	$1,501,000	8%	$85,619,000	$53,520,000	5%
1992					
Banks and financial institutions............	$74,500,000	4%	$222,976,000	$175,384,000	6%

The short-term borrowings consist primarily of notes payable to and overdraft facilities with banks and other financial institutions incurred in the ordinary course of business. Borrowings are arranged on an as-needed basis at various terms and at the best available rates.

The maximum and average amounts outstanding during the year were based on month-end outstanding balances and were representative of the year. The weighted average interest rate during the year is computed based on the average of rates applicable to individual short-term borrowings during the year.

CABOT CORPORATION CONSOLIDATED

SCHEDULE X

SUPPLEMENTARY INCOME STATEMENT INFORMATION

FOR THE THREE YEARS ENDED SEPTEMBER 30, 1994
(DOLLARS IN 000'S)

COLUMN A	COLUMN B		
	CHARGED TO COSTS AND EXPENSES		
ITEM	1994	1993	1992
Maintenance and repairs	$56,059	$60,866	$65,484
Amortization of intangible assets	*	*	*
Taxes, other than payroll and income taxes	22,397	18,263	19,849
Royalties	*	*	*
Advertising costs	*	*	*

* Less than 1% of total sales and operating revenues.

CABOT CORPORATION CONSOLIDATED

SCHEDULE XIII

OTHER INVESTMENTS

SEPTEMBER 30, 1994

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
NAME OF ISSUER AND TITLE OF ISSUE	NUMBER OF SHARES	COST OF ISSUE	MARKET VALUE OF ISSUE AT SEPTEMBER 30, 1994	AMOUNT CARRIED IN THE BALANCE SHEET
K N Energy, Inc.*				
Common Stock........................	4,197,954	$66,554,000	$109,693,000	$109,693,000

* Excludes warrants to purchase 642,232 shares of common stock of K N Energy, Inc. ("KNE stock") at an exercise price of $17.55 per share, which warrants expire in 1999 and the fair value of which is not readily determinable because of certain restrictions on the transferability of such warrants and KNE stock.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1994 COMMISSION FILE NUMBER 1-5667

CABOT CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

EXHIBITS

EXHIBIT INDEX

EXHIBIT NUMBER		DESCRIPTION	PAGE NUMBER
10(e)(i)*	--	Supplemental Cash Balance Plan.	
10(e)(ii)*	--	Supplemental Employee Stock Ownership Plan.	
10(e)(iii)*	--	Supplemental Retirement Incentive Savings Plan.	
10(j)	--	Agreement for the Sale and Purchase of Liquefied Natural Gas and Transportation Agreement, dated April 13, 1976, between Sonatrach and Distrigas Corporation, and Amendment No. 3 to said Agreement, dated February 21, 1988.	
10(o)(iv)	--	KNE By-law provision.	
10(o)(v)	--	Request of Cabot for No Action Letter from staff of Securities and Exchange Commission, dated June 28, 1994, and reply, dated July 6, 1994.	
10(o)(vi)	--	Application of Cabot for Declaration of Non-holding Company Status Pursuant to Section 2(a)(7) of the Public Utility Holding Company Act of 1935, dated July 13, 1994.	
11	--	Statement Re Computation of Per Share Earnings.	
12	--	Statement Re Computation of Ratio of Earnings to Fixed Charges.	
13	--	Pages 17 through 40 of the 1994 Annual Report to Stockholders of Cabot Corporation.	
21	--	List of Significant Subsidiaries.	
24(a)	--	Power of attorney for signing of this Annual Report on Form 10-K, dated November 11, 1994.	
24(b)	--	Certified copy of vote of Cabot's Board of Directors of October 14, 1994, authorizing the execution and filing of this Annual Report on Form 10-K.	
27	--	Financial Data Schedule.	

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* Management contract or compensatory plan or arrangement.

EXHIBIT 10 (e)(i)

CABOT CORPORATION

SUPPLEMENTAL CASH BALANCE PLAN

PREAMBLE

A supplemental pension program was authorized by a vote of the Board of Directors of Cabot Corporation (the "Corporation") on September 10, 1976. Pursuant to that vote, letter agreements were entered into between the Corporation and certain of the Corporation's executive officers.

The Supplemental Cash Balance Plan (as herein amended and restated, and as the same may hereafter be amended, the "Supplemental CBP") was originally adopted pursuant to a vote of the Board of Directors of the Corporation on February 10, 1984, its purpose being to provide benefits to a designated group of managers who are highly compensated employees of the Corporation or its subsidiaries, supplemental to the benefits provided under the Corporation's tax-qualified pension program. The Corporation currently provides tax-qualified pension benefits through its Cash Balance Plan (together with predecessor programs, the "Cash Balance Plan"). The terms of the Supplemental CBP as amended and restated and set forth herein, applicable to the Cash Balance Plan, are effective as of September 9, 1988.

SECTION 1

Definitions

When used herein, the words and phrases defined shall have the following meanings unless a different meaning is clearly required by the context. Terms used herein which are defined in Article 1 of the Cash Balance Plan shall have the meanings assigned to them in the Cash Balance Plan unless a different meaning is set forth below.

1.1. "Beneficiary" means the individual(s) or entity(ies) entitled under Section 3.7 below to receive any benefits hereunder upon the death of a Supplemental CBP Participant.

1.2. "Change in Control" has the same meaning as in the Cabot Retirement Incentive Savings Plan.

1.3. "Committee" means the Compensation Committee of the Board of Directors.

1.4. "Retirement" means termination of employment with the Group following attainment of (i) age fifty-five (55) with at least ten years of Service, or (ii) age 65. An individual whose employment has terminated by reason of Retirement shall be treated as having "Retired."

1.5. "Supplemental CBP Participant" has the meaning provided in Section 2 below.

SECTION 2

Participation

2.1. PARTICIPATION. Those Participants in the Cash Balance Plan whose base salary for any year (as determined by the Committee), before reduction for deferrals, if any, under the Cabot Retirement Incentive Savings Plan, the Corporation's nonqualified Deferred Compensation Plan, or any salary deferral under Section 125 of the Code, equals or exceeds the dollar limitation applicable to such year under Section 401(a)(17) of the Code, shall be eligible to participate in and accrue benefits under this Supplemental CBP (any such individual, a "Supplemental CBP Participant"). For purposes of Section 3(36) of ERISA, the Supplemental CBP shall be treated as two separate plans, one of which will be deemed to provide only benefits (if any) in excess of the limitations of Section 415 of the Code.

SECTION 3

Benefits

3.1. AMOUNT OF BENEFITS. The amount of the benefit payable by the Corporation under this Supplemental CBP with respect to a Supplemental CBP Participant shall be: (i) the Accrued Benefit, if any, which would be payable with respect to such individual under the Cash Balance Plan (determined after applying the vesting schedule under the Cash Balance Plan and any special vesting applicable upon a Change in Control) if such Accrued Benefit were determined without regard to the limitations of Sections 401(a)(17) and 415 of the Code (and the corresponding limitations under the Cash Balance Plan) and based on Compensation unreduced for any deferrals under the Corporation's nonqualified Deferred Compensation Plan (except that in determining whether the Supplemental CBP Participant is entitled to, and the amount of, a benefit hereunder determined by reference to the additional credit described in Section 3.4(b) and Appendix D of the Cash Balance Plan, the amount described in Section 1(a) of Appendix D of the Cash Balance Plan shall be determined for purposes of this clause (i) by taking into account -- i.e., by reducing Compensation for -- any deferrals under the Corporation's nonqualified Deferred Compensation Plan), REDUCED by (ii) the benefit actually payable with respect to the Supplemental CBP Participant under the Cash Balance Plan.

3.2. FORM OF BENEFIT PAYMENTS. The benefit payable to a Supplemental CBP Participant as determined under Section 3.1

hereunder shall be paid in the same form and commencing at the same time as the Supplemental CBP Participant's benefit under the Cash Balance Plan; provided, however, that in the discretion of the Committee the actuarial equivalent of the benefit hereunder, determined on the basis of actuarial assumptions chosen in accordance with Section 3.4 hereof, shall instead be paid in an immediate lump sum or on such other accelerated basis as the Committee may determine. The proviso in the preceding sentence shall apply, in the case of a Supplemental CBP Participant who Retires, dies, or becomes a Disabled Participant, only if the present value of the amount payable under Section 3.1 (determined on the basis of such actuarial assumptions) is less than $50,000. Notwithstanding the foregoing provisions of this Section, if the employment of a Supplemental CBP Participant shall be terminated without cause (as determined under Section 4.2 hereof) within the three-year period immediately following a Change in Control, payment of such Supplemental CBP Participant's benefit hereunder shall be made in a lump sum payment.

3.3. DEATH BENEFITS. If a Supplemental CBP Participant dies before his or her Benefit Commencement Date, the Corporation shall pay to the decedent's Beneficiary a benefit equal to the actuarial equivalent (determined on the basis of actuarial assumptions chosen in accordance with Section 3.4 hereof) of the death benefit that would be payable under the Cash Balance Plan if such benefit were determined without regard to the limitations of Sections 401(a)(17) and 415 of the Code (and the corresponding

limitations under the Cash Balance Plan) and based on Compensation unreduced for any deferrals under the Corporation's nonqualified Deferred Compensation Plan (except that in determining any death benefit with respect to a Supplemental CBP Participant described in Section 6.5(e)(iii) of the Cash Balance Plan, the amount described in Section 3(a) of Appendix D of the Cash Balance Plan shall be determined for purposes of this Section 3.3 on the basis of "average monthly compensation" (as that term is used in Section 6.5(e)(iii) of the Cash Balance Plan) determined without regard to the limitations of Section 401(a)(17) but after reduction for any deferrals under the Corporation's nonqualified Deferred Compensation Plan), REDUCED by the death benefit actually payable under the Cash Balance Plan. No death benefit shall be payable if the Supplemental CBP Participant dies after his or her Benefit Commencement Date, except to the extent the form of payment applicable with respect to the Supplemental CBP Participant under Section 3.2 provided for payments to a survivor.

3.4. ACTUARIAL EQUIVALENCY, ETC. Benefits payable hereunder shall be actuarially adjusted to carry out the purposes of this Supplemental CBP, which is intended (i) to offset reductions in the value of benefits under the Cash Balance Plan attributable to (A) the limitations of Sections 401(a)(17) and 415 of the Code and (B) reductions in Compensation caused by deferrals under the Corporation's nonqualified Deferred Compensation Plan, and (ii) to ensure that the different ways in

which the aggregate benefit hereunder and under the Cash Balance Plan may be paid are of substantially equivalent value. The actuarial assumptions used in determining actuarial equivalency hereunder shall be determined from time to time by the Committee and may, but need not, be the same as those used to determine actuarial equivalency under the Cash Balance Plan; provided, that upon and following a Change in Control, the actuarial assumptions used for purposes of this Supplemental CBP shall not be less favorable to Supplemental CBP Participants or their Beneficiaries than those last specified by the Committee prior to the Change in Control, or to the extent none was so specified, than those applicable under the Cash Balance Plan.

3.5. TIME OF BENEFIT PAYMENTS. Benefits due under Section 3.1 above shall be paid commencing as soon as practicable after the Supplemental CBP Participant's Benefit Commencement Date. Survivor benefits due under Section 3.2 above shall be paid commencing as soon as practicable following the receipt by the Employer of notice of the Supplemental CBP Participant's death.

3.6. BENEFITS UNFUNDED. This Supplemental CBP shall not be construed to create a trust of any kind or a fiduciary relationship between any Employer and a Supplemental CBP Participant. Neither Supplemental CBP Participants nor their Beneficiaries, nor any other person, shall have any rights against any Employer or its assets in respect of any benefits hereunder, other than rights as general creditors. Nothing in this Section 3.6, however, shall preclude an Employer from

establishing and funding a trust for the purpose of paying benefits hereunder, if such trust's assets are subject to the claims of the Employer's general creditors in the event of the Employer's bankruptcy or insolvency.

3.7. DESIGNATION OF BENEFICIARY. A Supplemental CBP Participant may designate, in writing, one or more Beneficiaries under this Supplemental CBP who may be the same as or different from those named in the Cash Balance Plan to receive benefits, if any, payable upon the Supplemental CBP Participant's death; provided, that in the case of a Supplemental CBP Participant who is married at time of death, the Supplemental CBP Participant's surviving spouse shall be treated as the sole Beneficiary unless he or she has consented (in accordance with procedures similar to those in the Cash Balance Plan relating to spousal consent) to the designation of one or more other Beneficiaries. In the absence of any Beneficiary so designated, benefits payable following death shall be paid to the Supplemental CBP Participant's surviving spouse, if any; if none (and if a death benefit is nevertheless payable under Section 3.3 above), to such person or persons (including the decedent's estate) as are designated to receive any benefits remaining to be paid under the Cash Balance Plan; or if none of the foregoing, to such person or persons as shall be designated by the Committee.

SECTION 4

Certain Forfeitures

4.1. FORFEITURE OF SUPPLEMENTAL BENEFITS. Notwithstanding anything to the contrary in this Supplemental CBP, benefits payable hereunder shall be forfeited by the Supplemental CBP Participant if the Supplemental CBP Participant's termination of employment was requested by an Employer and the termination was determined by the Committee to be for "cause." For purposes of this Supplemental CBP, "cause" shall mean any action or failure to act by the Supplemental CBP Participant which the Committee in its sole discretion determines to have constituted negligence or misconduct in the performance of the Supplemental CBP Participant's duty to his or her Employer. Notwithstanding the foregoing provisions of this Section 4.2, in respect of any termination of a Supplemental CBP Participant's employment requested by such Employer within the three-year period immediately following a Change in Control, "cause" shall mean only (i) the willful and continued failure by the Supplemental CBP Participant to perform substantially his or her duties with the Employer, after a written demand for substantial performance is delivered to the Supplemental CBP Participant by the Employer which demand specifies the manner in which the Employer believes that the Supplemental CBP Participant has not substantially performed the Supplemental CBP Participant's duties, or (ii) the willful engaging by the Supplemental CBP Participant in conduct which is demonstrably and materially injurious to the Employer,

monetarily or otherwise. For purposes of clauses (i) and (ii) of the preceding sentence, no act, or failure to act, on the Supplemental CBP Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Supplemental CBP Participant not in good faith and without reasonable belief that the Supplemental CBP Participant's act or failure to act was in the best interest of the Employer.

SECTION 5

Administration

5.1. DUTIES OF COMMITTEE. This Supplemental CBP shall be administered by the Committee in accordance with its terms and purposes. The Committee shall determine, in accordance with Section 3 hereunder, the amount and manner of payment of the benefits due to or on behalf of each Supplemental CBP Participant from this Supplemental CBP and shall cause them to be paid by the Corporation accordingly. The Committee may delegate its powers, duties and responsibilities to one or more individuals (including in the discretion of the Committee employees of one or more Employers) or one or more committees of such individuals.

5.2. FINALITY OF DECISION. The decisions made, and the actions taken, by the Committee in the administration of this Supplemental CBP shall be final and conclusive with respect to all persons, and neither the Committee nor individual members thereof, nor its or their delegates hereunder, shall be subject to individual liability with respect to this Supplemental CBP.

5.3. BENEFIT CLAIMS; APPEAL AND REVIEW.

(a) If any person believes that he or she is being denied any rights or benefits under this Supplemental CBP, such person may file a claim in writing with the Committee. The Committee will notify such person of its decision with respect to such claim in writing. If such claim is denied by the Committee, such notification will be written in a manner calculated to be understood by such person and will

contain (i) specific reasons for denial, (ii) specific reference to pertinent plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Notification of Committee decisions with respect to claims will be given within 90 days after the claim is received by the Committee (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

(b) Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such notification will be written in a manner calculated to be

understood by such person and will contain specific reasons for the decision as well as specific references to pertinent plan provisions. The decision on review will be made within 60 days after the request for review is received by the Committee (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Committee to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

SECTION 6

Amendment and Termination

6.1. AMENDMENT AND TERMINATION. While the Corporation intends to maintain this Supplemental CBP in conjunction with the Cash Balance Plan for as long as it deems necessary, the Board of Directors reserves the right to amend and/or terminate it at any time for whatever reasons it may deem appropriate; PROVIDED, that no such amendment shall reduce the benefit amount that a Supplemental CBP Participant would be entitled to receive hereunder if he or she were deemed to have terminated employment (other than by reason of death) immediately prior to the date of such amendment. Notwithstanding any other provision hereunder, during the three-year period immediately following a Change in Control, this Supplemental CBP may not be terminated, altered or amended in a way that would decrease future accrual of, eligibility for, or entitlement to, a benefit hereunder. This Section 6.1 may not be altered or amended during that same three-year period in any way except with the prior written consent of all of the then Supplemental CBP Participants.

SECTION 7

Miscellaneous

7.1. NO EMPLOYMENT RIGHTS. Nothing contained in this Supplemental CBP shall be construed as a contract of employment between any Employer and a Supplemental CBP Participant, or as giving any Supplemental CBP Participant the right to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any Supplemental CBP Participant, with or without cause.

7.2. ASSIGNMENT. Subject to the provisions of this Supplemental CBP relating to payment of benefits upon the death of a Supplemental CBP Participant, the benefits payable under this Supplemental CBP may not be assigned, alienated, transferred, pledged, or encumbered.

7.3. WITHHOLDING, ETC. Benefits payable under this Supplemental CBP shall be subject to all applicable federal, state or other tax withholding requirements. To the extent any amount credited or accrued hereunder for the benefit of a Supplemental CBP Participant's benefit is treated as "wages" for FICA/Medicare or FUTA tax purposes on a current basis (or when vested) rather than when distributed, all as determined by the Committee, then the Committee shall require that the Supplemental CBP Participant either (i) timely pay such taxes in cash by separate check to his or her Employer, or (ii) make other arrangements satisfactory to such Employer (e.g., additional withholding from other wage payments) for the payment of such

taxes. To the extent a Supplemental CBP Participant fails to pay or provide for such taxes as required, the Committee may suspend the Supplemental CBP Participant's participation in the Supplemental CBP or reduce benefits accrued hereunder.

7.4. SCHEDULES. The Committee may by Schedule modify the benefits available hereunder to one or more specified individuals. The provisions of each such Schedule shall, with respect to the individual or individuals thereby affected, be deemed a part of the Supplemental CBP and shall be incorporated herein.

7.5. LAW APPLICABLE. This Supplemental CBP shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, this instrument is executed this 20th day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey

Vice President

SCHEDULE A
TO
SUPPLEMENTAL CASH BALANCE PLAN

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental CBP Participants.

NOW, THEREFORE, the Supplemental CBP is hereby amended as follows:

1. "Schedule A Participant" shall mean Samuel W. Bodman.

2. Amount of benefit. Effective January 1, 1987, for the Schedule A Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental CBP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule A is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
Vice President

SCHEDULE B
TO
SUPPLEMENTAL CASH BALANCE PLAN

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental CBP Participants.

NOW, THEREFORE, the Supplemental CBP is hereby amended as follows:

1. "Schedule B Participant" shall mean Kennett F. Burnes.

2. Amount of benefit. Effective November 12, 1987, for the Schedule B Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental CBP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule B is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
Vice President

Schedule C
TO
SUPPLEMENTAL CASH BALANCE PLAN

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental CBP Participants.

NOW, THEREFORE, the Supplemental CBP is hereby amended as follows:

1. "Schedule C Participant" shall mean John D. Curtin, Jr.

2. Amount of benefit. Effective June 1, 1989, for the Schedule C Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental CBP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule C is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
Vice President

SCHEDULE D
TO
SUPPLEMENTAL CASH BALANCE PLAN

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental CBP Participants.

NOW, THEREFORE, the Supplemental CBP is hereby amended as follows:

1. "Schedule D Participant" shall mean Kenyon D. Gilson.

2. Amount of benefit. Effective August 1, 1989, for the Schedule D Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental CBP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule D is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey

Vice President

SCHEDULE E
TO
SUPPLEMENTAL CASH BALANCE PLAN

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental CBP Participants.

NOW, THEREFORE, the Supplemental CBP is hereby amended as follows:

1. "Schedule E Participant" shall mean Robert Rothberg.

2. Amount of benefit. Effective October 18, 1993, after completion of three years of Service with Cabot Corporation as determined under the Cash Balance Plan, for the Schedule E Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental CBP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule E is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey

Vice President

EXHIBIT 10(e)(ii)

CABOT CORPORATION

SUPPLEMENTAL EMPLOYEE STOCK OWNERSHIP PLAN

PREAMBLE

A supplemental employee stock ownership program was authorized by a vote of the Board of Directors of Cabot Corporation (the "Corporation") effective as of September 9, 1988 (as from time to time thereafter amended and in effect, the "Supplemental ESOP").

The purpose of this Supplemental ESOP is to provide benefits to a designated group of managers who are highly compensated employees of the Corporation or its subsidiaries, supplemental to benefits provided under the Cabot Corporation Employee Stock Ownership Plan (the "ESOP"). The terms of the Supplemental ESOP as amended and restated and set forth herein are effective as of September 9, 1988; provided, that nothing herein shall be deemed to affect the payment or computation of benefits in pay status on (or distributed in full prior to) the date of this restatement.

SECTION 1

Definitions

When used herein, the words and phrases defined shall have the following meanings unless a different meaning is clearly required by the context. Terms used herein which are defined in Section 1 of the ESOP shall have the meanings assigned to them in the ESOP unless a different meaning is set forth below.

1.1. "Beneficiary" means the individual(s) or entity(ies) entitled under Section 3.6 below to receive any benefits hereunder upon the death of a Supplemental ESOP Participant.

1.2. "Change in Control" has the same meaning as in the Cabot Retirement Incentive Savings Plan.

1.3. "Committee" means the Compensation Committee of the Board of Directors, or its delegates.

1.5. "Retirement" means termination of employment with the Affiliated Employers following attainment by the Supplemental ESOP Participant of his or her Early Retirement Date or Normal Retirement Date. An individual whose employment has terminated by reason of Retirement shall be treated as having "Retired".

1.6. "Supplemental ESOP Participant" has the meaning provided in Section 2 below.

SECTION 2

2.1. PARTICIPATION. Those Participants in the ESOP whose base salary for any year (as determined by the Committee), before reduction for deferrals (if any) under the Cabot Retirement Incentive Savings Plan, nonqualified Deferred Compensation Plan, or any salary reduction under Section 125 of the Code, equals or exceeds the dollar limitation applicable to such year under Section 401(a)(17) of the Code, shall be eligible to participate in and accrue benefits under this Supplemental ESOP. For purposes of Section 3(36) of the ERISA, the Supplemental ESOP shall be treated as two separate plans, one of which will be deemed to provide only benefits (if any) in excess of the limitations of Section 415 of the Code.

SECTION 3
Benefits

3.1. CREDITS TO MEMORANDUM ACCOUNTS.

(a) As soon as practicable after the last business day of each Plan Quarter, the Committee shall accrue to a memorandum account maintained by the Corporation, for each Supplemental ESOP Participant, an amount equal to the amount that would have been allocated to the Supplemental ESOP Participant's account under Section 7.5 of the ESOP had the limitations of Sections 401(a)(17) and 415 of the Code and the corresponding limitations under the ESOP not applied, and had allocations been based on Compensation increased by deferrals (if any) under the Corporation's nonqualified Deferred Compensation Plan, such amount to be reduced by the amount which is actually allocated to the Supplemental ESOP Participant's account in the ESOP with respect to such Plan Quarter. Amounts accrued under each memorandum account shall be converted to units and treated as if invested in shares of common stock of the Corporation, except as provided in Sections 3.1(b) and 3.1(c) hereof.

(b) From and after the date of a Change in Control, each memorandum account shall be treated as if invested in a fixed-income vehicle earning interest at the rate earned by the most currently issued 10-year U.S. Treasury Notes; provided, that this paragraph shall operate to change the basis for measuring investment return on memorandum accounts

upon a Change in Control only if such change would then be consistent with continued exemption of interests hereunder from the definition of "derivative securities" under Rule 16a-1(c) promulgated under the Securities Exchange Act of 1934, as amended (or any successor Rule).

(c) Beginning as of the Valuation Date next following the Supplemental ESOP Participant's termination of employment, the Supplemental ESOP Participant's memorandum account shall be treated as if invested (i) in a fixed-income vehicle earning interest at the rate earned by the most currently issued 10-year U.S. Treasury Notes on the date of reference, or (ii) on such other reasonable basis (other than one related to or derived from the common stock of the Corporation) as the Committee shall determine from time to time. The interest rate shall be determined and interest accrued as of each Valuation Date until all amounts have been paid to or on behalf of the Supplemental ESOP Participant.

3.2. AMOUNT, FORM AND TIMING OF BENEFIT PAYMENTS.

(a) In the event of a Supplemental ESOP Participant's termination of employment with the Affiliated Employers (other than by reason of death or becoming a Disabled Participant, or Retirement), his or her vested balance under the Supplemental ESOP shall commence to be paid as soon as practicable on or after his or her benefit commencement date under the ESOP in the form of 40 quarterly installments,

each installment calculated by dividing the unpaid vested balance, valued as of the preceding Valuation Date, by the number of installments remaining to be paid; provided, however, that the Committee in its discretion may accelerate payment of all or any portion of the account if it determines such acceleration to be in the interests of the Corporation. For purposes of this paragraph, the vested balance of any Supplemental ESOP Participant shall be the product of (i) the balance of his or her memorandum account determined under Section 3.1, times (ii) his or her applicable vesting percentage as determined under Section 8.5 of the ESOP.

(b) In the event a Supplemental ESOP Participant becomes a Disabled Participant or Retires, the balance of his or her memorandum account determined under Section 3.1 shall be distributed at the same time and in the same manner (i.e., in a lump sum or in installments) as the Supplemental ESOP Participant's ESOP account; provided, that (i) if the Supplemental ESOP Participant elects a lump sum payment form under the ESOP, such election shall be effective for purposes of this Supplemental ESOP only with the consent of the Committee (and absent such consent the Supplemental ESOP Participant's memorandum account hereunder shall be paid in 40 quarterly installments as described in paragraph (a)); and (ii) if the Supplemental ESOP Participant elects an installment distribution under the ESOP and if the balance

of his or her memorandum account hereunder at Retirement (or at the time he or she becomes a Disabled Participant) is less than $50,000, the Committee may distribute the account in a lump sum (or on some other accelerated basis) notwithstanding the Supplemental ESOP Participant's election under the ESOP.

(c) In the event the employment of a Supplemental ESOP Participant terminates by reason of death, the balance of his or her memorandum account determined under Section 3.1 shall be paid in a single sum to the Supplemental ESOP Participant's Beneficiary as soon as practicable after receipt by the Supplemental ESOP Participant's Affiliated Employer of notice of the Supplemental ESOP Participant's death.

(d) If a Supplemental ESOP Participant described in paragraph (a) or (b) dies prior to the complete distribution of his or her vested benefit, the remaining installments shall be paid to his or her Beneficiary; PROVIDED, that upon application by such Beneficiary showing financial hardship or other adequate cause as determined by the Committee in its sole discretion, the Committee may cause the remaining balance in the decedent's memorandum account to be paid in a lump sum to the Beneficiary in complete satisfaction of any remaining benefit obligation to such Beneficiary hereunder.

(e) If the Supplemental ESOP Participant elects to roll over his or her vested ESOP benefit to the

Corporation's Cash Balance Plan, the vested balance of his or her memorandum account hereunder shall be treated as having been transferred to the Corporation's nonqualified plan maintained as a supplement to the Corporation's Cash Balance Plan, and paid in accordance with the terms of that supplemental plan.

(f) All amounts payable hereunder shall be paid in cash only.

3.3. NATURE OF ACCOUNT. The memorandum account maintained by the Corporation for a Supplemental ESOP Participant shall be a book-entry account only, shall hold no actual shares of Stock and shall represent no interest in or ownership of any Stock. Supplemental ESOP Participants shall have no voting rights or any other shareholder rights by reason of participation in this Supplemental ESOP.

3.4. NO PAYMENT WHILE EMPLOYED. No amounts accrued hereunder on behalf of a Supplemental ESOP Participant may be distributed prior to his or her benefit commencement date under the ESOP, or death, as the case may be. If a Supplemental ESOP Participant whose employment has terminated returns to the employ of the Affiliated Employers, any benefits remaining to be paid to such Supplemental ESOP Participant shall be suspended during the period of reemployment. Upon his or her subsequent termination of employment, the Supplemental ESOP Participant's memorandum account shall be payable in accordance with the rules set forth in Section 3.2 above.

3.5. BENEFITS UNFUNDED. This Supplemental ESOP shall not be construed to create a trust of any kind or a fiduciary relationship between any Affiliated Employer and a Supplemental ESOP Participant. Neither Supplemental ESOP Participants nor their Beneficiaries, nor any other person, shall have any rights against any Affiliated Employer or its assets in respect of any benefits hereunder, other than rights as general creditors. Nothing in this Section 3.5, however, shall preclude the Corporation or any Affiliated Employer from establishing and funding a trust for the purpose of paying benefits hereunder, if such trust's assets are subject to the claims of the Corporation's or Affiliated Employer's general creditors in the event of the Affiliated Employer's bankruptcy or insolvency.

3.6. DESIGNATION OF BENEFICIARY. A Supplemental ESOP Participant may designate, in writing, one or more Beneficiaries under this Supplemental ESOP, who may be the same as or different than those named under the ESOP to receive benefits, if any, payable upon the Supplemental ESOP Participant's death; provided, that in the case of a Supplemental ESOP Participant who is married at time of death, the Supplemental ESOP Participant's surviving spouse shall be treated as the sole Beneficiary unless he or she has consented (in accordance with procedures similar to those in the ESOP relating to spousal consent) to the designation of one or more other Beneficiaries. In the absence of any Beneficiary so designated, benefits payable following death shall be paid to the Supplemental ESOP Participant's surviving spouse,

if any; if none, to such person or persons (including the decedent's estate) as are designated to receive any benefits remaining to be paid under the ESOP; or if none of the foregoing, to such person or persons as shall be designated by the Committee.

SECTION 4

Certain Forfeitures

4.1. TERMINATION FOR CAUSE. Notwithstanding anything to the contrary in this Supplemental ESOP, benefits payable hereunder shall be forfeited by the Supplemental ESOP Participant if the Supplemental ESOP Participant's termination of employment was requested by an Affiliated Employer and the termination was determined by the Committee to be for "cause." For purposes of this Supplemental ESOP, "cause" shall mean any action or failure to act by the Supplemental ESOP Participant which the Committee in its sole discretion determines to have constituted negligence or misconduct in the performance of the Supplemental ESOP Participant's duty to the Affiliated Employer. Notwithstanding the foregoing provisions of this Section 4.1, in respect of any termination of a Supplemental ESOP Participant's employment requested by his or her Affiliated Employer within the three-year period immediately following a Change in Control, "cause" shall mean only (i) the willful and continued failure by the Supplemental ESOP Participant to substantially perform his or her duties with the Affiliated Employer, after a written demand for substantial performance is delivered to the Supplemental ESOP Participant by the Affiliated Employer which demand specifies the manner in which the Affiliated Employer believes that the Supplemental ESOP Participant has not substantially performed the Supplemental ESOP Participant's duties, or (ii) the willful engaging by the Supplemental ESOP Participant in conduct which is

demonstrably and materially injurious to the Affiliated Employer, monetarily or otherwise. For purposes of clauses (i) and (ii) of the preceding sentence, no act, or failure to act, on the Supplemental ESOP Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Supplemental ESOP Participant not in good faith and without reasonable belief that the Supplemental ESOP Participant's act or failure to act was in the best interest of the Participating Employer.

4.2. OTHER TERMINATIONS OF EMPLOYMENT. In the event of a Supplemental ESOP Participant's termination of employment other than by reason of death or Retirement or after becoming a Disabled Participant, that portion of his or her memorandum account balance, if any, that is not payable under Section 3.2 shall be promptly forfeited. If such Supplemental ESOP Participant is later reemployed by the Affiliated Employers under circumstances entitling him or her to a restoration of all or a portion of his or her account balance under the ESOP, the Committee shall make an appropriate corresponding restorative adjustment to his or her memorandum account hereunder.

SECTION 5

Administration

5.1. DUTIES OF COMMITTEE. This Supplemental ESOP shall be administered by the Committee in accordance with its terms and purposes. The Committee shall determine, in accordance with Section 3 hereunder, the amount and manner of payment of the benefits due to or on behalf of each Supplemental ESOP Participant from this Supplemental ESOP and shall cause them to be paid by the Corporation accordingly. The Committee may delegate its powers, duties and responsibilities to one or more individuals (including in the Committee's discretion employees of one or more Affiliated Employers) or one or more committees of such individuals.

5.2. FINALITY OF DECISION. The decisions made by and the actions taken by the Committee in the administration of this Supplemental ESOP shall be final and conclusive with respect to all persons, and neither the Committee nor individual members thereof, nor its or their delegates hereunder, shall be subject to individual liability with respect to this Supplemental ESOP.

5.3. BENEFIT CLAIMS; APPEAL AND REVIEW.

(a) If any person believes that he or she is being denied any rights or benefits under this Supplemental ESOP, such person may file a claim in writing with the Committee. The Committee will notify such person of its decision with respect to such claim in writing. If such claim is denied by the Committee, such notification will be written in a

manner calculated to be understood by such person and will contain (i) specific reasons for denial, (ii) specific reference to pertinent plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Notification of Committee decisions with respect to claims will be given within 90 days after the claim is received by the Committee (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

(b) Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such

notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent ESOP provisions. The decision on review will be made within 60 days after the request for review is received by the Committee (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Committee to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

SECTION 6

Amendment and Termination

6.1. AMENDMENT AND TERMINATION. While the Corporation intends to maintain this Supplemental ESOP in conjunction with ESOP for as long as it deems necessary, the Board of Directors reserves the right to amend and/or terminate it at any time for whatever reasons it may deem appropriate; PROVIDED, that no such amendment shall reduce the balance of any Supplemental ESOP Participant's memorandum account as of the Valuation Date next preceding the date of such amendment. Amendments affecting the accrual of benefits hereunder in respect of Supplemental ESOP Participants who are subject to the short-swing profit provisions of Section 16 of the Securities Exchange Act of 1934, as amended, may be made no more frequently than once every six (6) months. Notwithstanding any other provision hereunder, during the three-year period immediately following a Change in Control, this Supplemental ESOP may not be terminated, altered or amended in a way that would decrease future accrual of, eligibility for, or entitlement to, benefits hereunder. This Section 6.1 may not be altered or amended during that same three-year period in any way except with the prior written consent of all of the then Supplemental ESOP Participants.

SECTION 7

Miscellaneous

7.1. NO EMPLOYMENT RIGHTS. Nothing contained in this Supplemental ESOP shall be construed as a contract of employment between any Affiliated Employer and a Supplemental ESOP Participant, or as giving any Supplemental ESOP Participant the right to be continued in the employment of an Affiliated Employer, or as a limitation of the right of an Affiliated Employer to discharge any Supplemental ESOP Participants, with or without cause.

7.2. ASSIGNMENT. Subject to the provisions of this Supplemental ESOP relating to payment of benefits upon the death of a Supplemental ESOP Participant, the benefits payable under this Supplemental ESOP may not be assigned, alienated, transferred, pledged, or encumbered.

7.3. WITHHOLDING, ETC. Benefits payable under this Supplemental ESOP shall be subject to all applicable federal, state or other tax withholding requirements. To the extent any amount credited hereunder to a Supplemental ESOP Participant's account is treated as "wages" for FICA/Medicare or FUTA tax purposes on a current basis (or when vested), rather than when distributed, all as determined by the Committee, then the Committee shall require that the Supplemental ESOP Participant either (i) timely pay such taxes in cash by separate check to his or her Affiliated Employer, or (ii) make other arrangements satisfactory to such Affiliated Employer (e.g., additional

withholding from other wage payments) for the payment of such taxes. To the extent a Supplemental ESOP Participant fails to pay or provide for such taxes as required, the Committee may suspend the Supplemental ESOP Participant's participation in the Supplemental ESOP or reduce amounts credited or to be credited hereunder.

7.4. SCHEDULES. The Committee may by Schedule modify the benefits available hereunder to one or more specified individuals. The provisions of each such Schedule shall, with respect to the individual or individuals thereby affected, be deemed a part of the Supplemental ESOP and shall be incorporated herein.

7.5. LAW APPLICABLE. This Supplemental ESOP shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, this instrument is executed this 20th day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey

Vice President

SCHEDULE A
TO
Supplemental Employee Stock Ownership Plan

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental ESOP Participants.

NOW, THEREFORE, the Supplemental ESOP is hereby amended as follows:

1. "Schedule A Participant" shall mean Samuel W. Bodman.

2. Amount of benefits. Effective January 1, 1987, for the Schedule A Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental ESOP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule A is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
Vice President

SCHEDULE B
TO
Supplemental Employee Stock Ownership Plan

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental ESOP Participants.

NOW, THEREFORE, the Supplemental ESOP is hereby amended as follows:

1. "Schedule B Participant" shall mean Kennett F. Burnes.

2. Amount of benefits. Effective November 12, 1987, for the Schedule B Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental ESOP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule B is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
____
Vice President

Schedule C
TO
Supplemental Employee Stock Ownership Plan

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental ESOP Participants.

NOW, THEREFORE, the Supplemental ESOP is hereby amended as follows:

1. "Schedule C Participant" shall mean John D. Curtin, Jr.

2. Amount of benefits. Effective June 1, 1989, for the Schedule C Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental ESOP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule C is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
Vice President

SCHEDULE D
TO
Supplemental Employee Stock Ownership Plan

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental ESOP Participants.

NOW, THEREFORE, the Supplemental ESOP is hereby amended as follows:

1. "Schedule D Participant" shall mean Kenyon D. Gilson.

2. Amount of benefits. Effective August 1, 1989, for the Schedule D Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental ESOP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule D is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
Vice President

SCHEDULE E
TO
Supplemental Employee Stock Ownership Plan

Effective May 13, 1994, the Board of Directors deemed it advisable to provide certain additional benefits to one or more Supplemental ESOP Participants.

NOW, THEREFORE, the Supplemental ESOP is hereby amended as follows:

1. "Schedule E Participant" shall mean Robert Rothberg.

2. Amount of benefits. Effective October 18, 1993, after completion of a three year Period of Service with Cabot Corporation as determined under the Cabot Corporation Employee Stock Ownership Plan, for the Schedule E Participant, his total benefit determined under Sections 3.1 and 3.3 of the Supplemental ESOP shall be equal to two times the benefit which would otherwise be provided under those Sections.

IN WITNESS WHEREOF, this Schedule E is executed this twentieth day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey
Vice President

EXHIBIT 10(e)(iii)

CABOT CORPORATION

SUPPLEMENTAL RETIREMENT INCENTIVE SAVINGS PLAN

PREAMBLE

A supplemental profit sharing program was authorized by a vote of the Board of Directors of Cabot Corporation (the "Corporation") on September 10, 1976. Pursuant to that vote, letter agreements were entered into between the Corporation and certain of the Corporation's executive officers.

A nonqualified supplemental plan (as herein amended and restated, and as the same may hereafter be amended, the "Supplemental Plan") was adopted pursuant to a vote of the Board of Directors of the Corporation on February 10, 1984, its purpose being to provide benefits to a designated group of managers who are highly compensated employees of the Corporation or its subsidiaries, supplemental to benefits provided under the Corporation's qualified profit-sharing and savings program (currently the Cabot Retirement Incentive Savings Plan, or "CRISP"). The terms of the Supplemental Plan as amended and restated and set forth herein are effective as of September 9, 1988; PROVIDED, that nothing herein shall be deemed to affect the payment or computation of benefits in pay status on (or distributed in full prior to) the date of this restatement.

SECTION 1

Definitions

When used herein, the words and phrases defined shall have the following meanings unless a different meaning is clearly required by the context. Terms used herein which are defined in Article 1 of the CRISP shall have the meanings assigned to them in the CRISP unless a different meaning is set forth below.

1.1. "Applicable Matching Percentage" means (i) for any period for which Basic Matching Contributions but no Discretionary Matching Contributions are made under the CRISP, five and five-eighths (5.625%) percent; and (ii) for any period for which Discretionary Matching Contributions are made under the CRISP, 5.625% PLUS the maximum rate (expressed as a percentage of Compensation) at which Discretionary Matching Contributions are made for such period with respect to any participant in the CRISP.

1.2. "Beneficiary" means the individual(s) or entity(ies) entitled under Section 3.6 below to receive any benefits hereunder upon the death of a Supplemental Plan Participant.

1.3. "Committee" means the Compensation Committee of the Board of Directors, or its delegates.

1.4. "Retirement" means termination of employment with the Corporation and other Affiliated Employers following attainment by the Supplemental Plan Participant of his or her Early Retirement Age or Normal Retirement Age. An individual whose

employment has terminated by reason of Retirement shall be treated as having "Retired."

1.5. "Supplemental Plan Participant" has the meaning provided in Section 2 below.

SECTION 2

Participation

2.1. Participation. Each Participant in the CRISP (i) whose base salary for any year (as determined by the Committee), before reduction for deferrals, if any, under the CRISP, the Corporation's nonqualified Deferred Compensation Plan, or any salary deferral under Section 125 of the Code, equals or exceeds the dollar limitation applicable to such year under Section 401(a)(17) of the Code, and (ii) who, for such year (or for such portion of the year during which he or she satisfies the requirements of (i) above) has elected to participate in pre-tax deferrals and/or after-tax contributions under CRISP to the maximum extent required and permissible thereunder (taking into account any limitations imposed under the CRISP to comply with the qualification requirements of the Code) to obtain the maximum possible Matching Contribution under CRISP, shall be eligible to participate in and accrue benefits under this Supplemental Plan. The eligibility requirements described at (ii) above shall apply only with respect to periods beginning on or after October 1, 1994 and shall not apply for purposes of determining eligibility to share in any accruals under Section 3.1(b) below. For purposes of Section 3(36) of ERISA, the Supplemental Plan shall be treated as two separate plans, one of which will be deemed to provide only benefits (if any) in excess of the limitations of section 415 of the Code.

SECTION 3

Benefits

3.1. Credits to Memorandum Accounts.

(a) For each month or Plan Year for which Matching Contributions are made to the CRISP, the Committee shall, as soon as practicable after the close of such month or year (as the case may be), accrue to a memorandum account maintained by the Corporation, for each individual who is a Supplemental Plan Participant for all or any part of such period, an amount equal to the excess of (i) the Applicable Matching Percentage of the Supplemental Plan Participant's Compensation for such period (such Compensation to be determined, solely for this purpose, without regard to the limitations described in Section 1.21(d) of the CRISP, but taking into account the limitations described in Section 1.21(c) of the CRISP), over (ii) the sum of (A) the amount which is actually allocated to the Supplemental Plan Participant's Matching Contribution Account in the CRISP with respect to such period, plus (B) any additional credit made for the benefit of the Supplemental Plan Participant with respect to such period under Section 4(a)(ii) of the Corporation's nonqualified Deferred Compensation Plan.

(b) As soon as practicable after the end of each Plan Year, the Committee shall also accrue to a memorandum account maintained by the Corporation, for each Supplemental Plan Participant, an amount equal to the amount (if any)

that would have been contributed for the benefit of the Supplemental Plan Participant by his or her Affiliated Employer under Section 3.5 of the CRISP for such Plan Year had the limitations of Sections 401(a)(17) and 415 of the Code and the corresponding limitations under the CRISP not applied and had such contributions and allocations under the CRISP been based on Compensation increased by deferrals (if any) under the Corporation's nonqualified Deferred Compensation Plan, such amount to be reduced by the amount (if any) which is actually contributed and allocated under Section 3.5 of the CRISP to the Supplemental Plan Participant's account in the CRISP; provided, that with respect to periods ending prior to October 1, 1994, no such accrual shall be made under this paragraph to the extent that it would cause Income for the particular year for which it was being made, reduced by the amount of such accrual on an after-tax basis, to be less than that percentage of Stockholders' Equity at the beginning of such year specified in Section 3.5 of the CRISP.

(c) Amounts accrued hereunder shall be converted to units and treated as if invested in the Cabot Stock Fund under the CRISP, except as provided in Sections 3.1(d) and 3.1(e) hereof.

(d) From and after the date of a Change in Control, each memorandum account shall be treated as if invested in a fixed-income vehicle earning interest at the rate earned by

the most currently issued 10-year Treasury Notes; provided, that this paragraph shall operate to change the basis for measuring investment return on memorandum accounts upon a Change in Control only if such change would then be consistent with continued exemption of interests hereunder from the definition of "derivative securities" under Rule 16a-1(c) promulgated under the Securities Exchange Act of 1934, as amended (or any successor Rule).

(e) Beginning as of the Valuation Date next following the earliest of the Supplemental Plan Participant's Retirement, other termination of employment, death while employed by an Affiliated Employer, or Total and Permanent Disability, the Supplemental Plan Participant's account shall be treated as if invested (i) in a fixed-income vehicle earning interest at the rate earned by the most currently issued 10-year U.S. Treasury Notes on the date of reference, or (ii) on such other reasonable basis (other than one related to or derived from the common stock of the Corporation) as the Committee shall determine from time to time. The interest rate shall be determined and interest accrued as of each Valuation Date until all amounts have been paid to or on behalf of the Supplemental Plan Participant.

3.2. Amount, Form and Timing of Benefit Payments.

(a) In the event of a Supplemental Plan Participant's termination of employment with the Affiliated Employers

(other than by reason of Retirement, Total and Permanent Disability, or death), his or her vested balance under the Supplemental Plan shall commence to be paid as soon as practicable on or after the Participant's Annuity Starting Date in the form of 120 monthly installments, each installment calculated by dividing the unpaid vested balance, valued as of the preceding Valuation Date, by the number of installments remaining to be paid; provided, however, that, the Committee in its discretion may accelerate payment of all or any portion of the account if it determines such acceleration to be in the interests of the Corporation. For purposes of this paragraph, the vested balance of a Supplemental Plan Participant shall be the product of (A) the balance of his or her memorandum account determined under Section 3.1, times (B) the percentage representing the vested interest of such Supplemental Plan Participant in his or her CRISP Account (that is, Matching Contribution Account or Company Contributions Account) as determined under the applicable vesting rules of the CRISP.

(b) In the event of a Supplemental Plan Participant's Retirement or termination of employment by reason of Total and Permanent Disability, the balance of his or her memorandum account determined under Section 3.1 shall be distributed at the same time and in the same manner as the Supplemental Plan Participant's benefits under the CRISP, subject to the following special rules:

(i) If the balance of the Supplemental Plan Participant's memorandum account at Retirement or termination of employment is less than $50,000, the Committee may distribute the account in a lump sum (or on some other accelerated basis) notwithstanding the Supplemental Plan Participant's election under the CRISP.

(ii) If the Supplemental Plan Participant elects a distribution of a single-life or joint and survivor annuity under Section 9.3(a)(iv) of the CRISP, the Committee's discretion as described above to distribute the memorandum account hereunder on an accelerated basis shall apply regardless of the size of the balance of the Supplemental Plan Participant's memorandum account hereunder.

(iii) If the Supplemental Plan Participant elects a lump sum payment of his or her CRISP benefit, that election shall be effective with respect to his or her Supplemental Plan benefit hereunder only with the approval of the Committee. If the Committee does not approve a lump sum payment election, the Supplemental Plan Participant's memorandum account hereunder shall be distributed in 120 monthly installments as described at 3.2(a) above or on such accelerated basis as the Committee may determine.

(iv) If the Supplemental Plan Participant's memorandum account is to be distributed in installments, the amount of each installment shall be calculated by dividing the unpaid balance, valued as of the preceding Valuation Date, by the number of installments remaining to be paid. Any distribution hereunder that is to be made over the life of the Supplemental Plan Participant or the lives of the Supplemental Plan Participant and his or her Beneficiary shall be based on such reasonable actuarial assumptions as the Committee may determine (which may be different than those applied under the Corporation's qualified plans or those used by commercial insurance companies).

(c) In the event of a Supplemental Plan Participant's termination of employment with the Affiliated Employers by reason of death, the balance of his or her memorandum account determined under Section 3.1 shall be paid in a single sum to the Supplemental Plan Participant's Beneficiary as soon as practicable after the receipt by the Supplemental Plan Participant's Affiliated Employer of notice of the Supplemental Plan Participant's death.

(d) If a Supplemental Plan Participant described in paragraph (a) or (b) dies prior to the complete distribution of his or her vested benefit, the remaining installments shall be paid to his or her Beneficiary; provided, that upon

application by such Beneficiary showing financial hardship or other adequate cause as determined by the Committee in its sole discretion, the Committee may cause the remaining balance in the decedent's memorandum account to be paid in a lump sum to the Beneficiary in complete satisfaction of any remaining benefit obligation to such Beneficiary hereunder.

(e) If the Supplemental Plan Participant elects to roll over his or her vested CRISP benefit to the Corporation's Cash Balance Plan, the vested balance of his or her memorandum account hereunder shall be treated as having been transferred to the Corporation's nonqualified plan maintained as a supplement to the Corporation's Cash Balance Plan, and paid in accordance with the terms of that supplemental plan.

(f) All amounts payable hereunder shall be paid in cash only.

3.3. Nature of Account. The memorandum account maintained by the Corporation for a Supplemental Plan Participant shall be a book-entry account only, shall hold no actual shares of the Corporation's stock, and shall represent no interest in or ownership of any such stock. Supplemental Plan Participants shall have no voting rights or any other shareholder rights by reason of participation in this Supplemental Plan.

3.4. No Payment While Employed. No amounts accrued hereunder on behalf of a Supplemental Plan Participant may be distributed prior to his or her Annuity Starting Date or death,

as the case may be. If a Supplemental Plan Participant whose employment has terminated returns to the employ of an Affiliated Employer, any benefits remaining to be paid to such Supplemental Plan Participant shall be suspended during the period of reemployment. Upon his or her subsequent termination of employment, the Supplemental Plan Participant's memorandum account shall be payable in accordance with the rules set forth in Section 3.2 above.

3.5. Benefits Unfunded. This Supplemental Plan shall not be construed to create a trust of any kind or a fiduciary relationship between any Affiliated Employer and a Supplemental Plan Participant. Neither Supplemental Plan Participants nor their beneficiaries, nor any other person, shall have any rights against any Affiliated Employer or its assets in respect of any benefits hereunder, other than rights as general creditors. Nothing in this Section 3.5, however, shall preclude an Affiliated Employer from establishing and funding a trust for the purpose of paying benefits hereunder, if such trust's assets are subject to the claims of the Affiliated Employer's general creditors in the event of bankruptcy or insolvency.

3.6. Designation of Beneficiary. A Supplemental Plan Participant may designate, in writing, one or more beneficiaries under this Supplemental Plan, who may be the same as or different than those named under the CRISP to receive benefits, if any, payable upon the Supplemental Plan Participant's death; provided, that in the case of a Supplemental Plan Participant who is

married at time of death, the Supplemental Plan Participant's surviving spouse shall be treated as the sole Beneficiary unless he or she has consented (in accordance with procedures similar to those in the CRISP relating to spousal consent) to the designation of one or more other Beneficiaries. In the absence of any beneficiary so designated, benefits payable following death shall be paid to the Supplemental Plan Participant's surviving spouse, if any; if none, to such person or persons (including the decedent's estate) as are designated to receive any benefits remaining to be paid under the CRISP; or if none of the foregoing, to such person or persons as shall be designated by the Committee.

SECTION 4

Certain Forfeitures

4.1. Termination for Cause. Notwithstanding anything to the contrary in this Supplemental Plan, benefits payable hereunder shall be forfeited by the Supplemental Plan Participant if the Supplemental Plan Participant's termination of employment was requested by an Affiliated Employer and the termination was determined by the Committee to be for "cause." For purposes of this Supplemental Plan, "cause" shall mean any action or failure to act by the Supplemental Plan Participant which the Committee in its sole discretion determines to have constituted negligence or misconduct in the performance of the Supplemental Plan Participant's duty to his or her Affiliated Employer. Notwithstanding the foregoing provisions of this Section 4.1, in respect of any termination of a Supplemental Plan Participant's employment requested by an Affiliated Employer within the three-year period immediately following a Change in Control, "cause" shall mean only (i) the willful and continued failure by the Supplemental Plan Participant to substantially perform his or her duties with his or her Affiliated Employer, after a written demand for substantial performance is delivered to the Supplemental Plan Participant by the Affiliated Employer which demand specifies the manner in which the Affiliated Employer believes that the Supplemental Plan Participant has not substantially performed the Supplemental Plan Participant's duties, or (ii) the willful engaging by the Supplemental Plan

Participant in conduct which is demonstrably and materially injurious to the Affiliated Employer, monetarily or otherwise. For purposes of clauses (i) and (ii) of the preceding sentence, no act, or failure to act, on the Supplemental Plan Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Supplemental Plan Participant not in good faith and without reasonable belief that the Supplemental Plan Participant's act or failure to act was in the best interest of the Affiliated Employer.

4.2. Other Terminations of Employment. In the event of a Supplemental Plan Participant's termination of employment other than by reason of death, Retirement or Total and Permanent Disability, that portion of his or her memorandum account balance that is not payable under Section 3.2(a) shall be promptly forfeited. If such Supplemental Plan Participant is later reemployed by an Affiliated Employer under circumstances entitling him or her to a restoration of all or a portion of his or her account balance under the CRISP, the Committee shall make an appropriate corresponding restorative adjustment to his or her memorandum account hereunder.

SECTION 5

Administration

5.1. Duties of Committee. This Supplemental Plan shall be administered by the Committee in accordance with its terms and purposes. The Committee shall determine, in accordance with Section 3 hereunder, the amount and manner of payment of the benefits due to or on behalf of each Supplemental Plan Participant from this Supplemental Plan and shall cause them to be paid by the Corporation accordingly. The Committee may delegate its powers, duties and responsibilities to one or more individuals (including in the Committee's discretion employees of one or more Affiliated Employers) or one or more committees of such individuals.

5.2. Finality of Decision. The decisions made by and the actions taken by the Committee in the administration of this Supplemental Plan shall be final and conclusive with respect to all persons, and neither the Committee nor individual members thereof, nor its or their delegates hereunder, shall be subject to individual liability with respect to this Supplemental Plan.

5.3. Benefit Claims; Appeal and Review.

(a) If any person believes that he or she is being denied any rights or benefits under this Supplemental Plan, such person may file a claim in writing with the Committee. The Committee will notify such person of its decision with respect to such claim in writing. If the claim is denied by the Committee, such notification will be written in a manner

calculated to be understood by such person and will contain (i) specific reasons for denial, (ii) specific reference to pertinent plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Notification of Committee decisions with respect to claims will be given within 90 days after the claim is received by the Committee (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

(b) Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such

notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Committee (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Committee to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

SECTION 6

Amendment and Termination

6.1. Amendment and Termination. While the Corporation intends to maintain this Supplemental Plan in conjunction with the CRISP for as long as it deems necessary, the Board of Directors reserves the right to amend and/or terminate it at any time for whatever reasons it may deem appropriate; provided, that no such amendment shall reduce the balance of any Supplemental Plan Participant's memorandum account as of the Valuation Date next preceding the date of such amendment. Amendments affecting the accrual of benefits hereunder in respect of Supplemental Plan Participants who are subject to the short-swing profit provisions of Section 16 of the Securities Exchange Act of 1934, as amended, may be made no more frequently than once every six (6) months. Notwithstanding any other provision hereunder, during the three-year period immediately following a Change in Control, this Supplemental Plan may not be terminated, altered or amended in a way that would decrease future accrual of, eligibility for, or entitlement to, benefits hereunder. This Section 6.1 may not be altered or amended during that same three-year period in any way except with the prior written consent of all of the then Supplemental Plan Participants.

SECTION 7

Miscellaneous

7.1. No Employment Rights. Nothing contained in this Supplemental Plan shall be construed as a contract of employment between any Affiliated Employer and a Supplemental Plan Participant, or as giving any Supplemental Plan Participant the right to be continued in the employment of an Affiliated Employer, or as a limitation of the right of an Affiliated Employer to discharge any Supplemental Plan Participant, with or without cause.

7.2. Assignment. Subject to the provisions of this Supplemental Plan relating to payment of benefits upon the death of a Supplemental Plan Participant, the benefits payable under this Supplemental Plan may not be assigned, alienated, transferred, pledged, or encumbered.

7.3. Withholding, Etc. Benefits payable under this Supplemental Plan shall be subject to all applicable federal, state or other tax withholding requirements. To the extent any amount credited hereunder to a Supplemental Plan Participant's account is treated as "wages" for FICA/Medicare or FUTA tax purposes on a current basis (or when vested), rather than when distributed, all as determined by the Committee, then the Committee shall require that the Supplemental Plan Participant either (i) timely pay such taxes in cash by separate check to his or her Affiliated Employer, or (ii) make other arrangements satisfactory to such Employer (e.g., additional withholding from

other wage payments) for the payment of such taxes. To the extent a Supplemental Plan Participant fails to pay or provide for such taxes as required, the Committee may suspend the Supplemental Plan Participant's participation in the Supplemental Plan or reduce amounts credited or to be credited hereunder.

7.4. Schedules. The Committee may by Schedule modify the benefits available hereunder to one or more specified individuals. The provisions of each such Schedule shall, with respect to the individual or individuals thereby affected, be deemed a part of the Supplemental Plan and shall be incorporated herein.

7.5. Law Applicable. This Supplemental Plan shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, this instrument is executed this 20th day of December, 1994.

CABOT CORPORATION

By /s/ Karen M. Morrissey

Vice President

EXHIBIT 10(j)

AGREEMENT FOR THE SALE AND PURCHASE OF LIQUEFIED NATURAL GAS

Between:

Societe Nationale SONATRACH, with registered office in Algiers, 80 Avenue Ahmed Ghermoul, hereinafter referred to as the "Seller", represented by its Vice President in charge of the Marketing Department, Slimane Bouguerra, authorized to execute this Contract,

on the one hand

and

Distrigas Corporation, a corporation organized and existing under the laws of the State of Delaware, with its principal office in Boston, Massachusetts, 125 High Street, hereinafter referred to as the "Buyer", represented by its Vice President, John G. L. Cabot,

on the other hand,

WITNESSETH

WHEREAS, Alocean, Ltd., a Bermudian Corporation (ALOCEAN), and Buyer have concluded contracts for the sale and purchase of LNG dated December 3, 1969 and September 10, 1970 and an amendment to these contracts has been concluded between the two parties on October 4, 1975;

WHEREAS, Alocean and Buyer have concluded a contract for the sale and purchase of LNG dated October 4, 1975 relating to additional quantities to be delivered from July 1, 1976 to December 31, 1977;

WHEREAS, Seller and Buyer now deem it desirable, subject to Alocean's obligations under the above-mentioned contracts being assumed by Seller, that the latter sell LNG directly to Buyer rather than through Alocean,

and

WHEREAS, Seller and Buyer have agreed in accordance with a protocol signed by them June 6, 1975, to increase, beginning January 1, 1978, the quantities of LNG provided in the above-mentioned contracts and to conclude between themselves a new contract which replaces the abovementioned contracts, beginning January 1, 1978, setting forth the new terms

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under which all quantities of LNG sold by Seller to Buyer will be delivered, beginning on such date.

IT IS AGREED AS FOLLOWS:

ARTICLE 1

DEFINITIONS

For the purpose of this agreement, the words and terms contained in Appendix A attached hereto and which are an integral part of this agreement, will have the meanings defined in said appendix.

ARTICLE 2

PURCHASE AND SALE

Under the terms and conditions hereinafter set forth, Seller agrees to sell and to deliver to Buyer and Buyer agrees to purchase and to receive from Seller and to pay for liquefied natural gas (LNG) in the quantities, at the times, and at the price hereinafter set forth.

ARTICLE 3

SOURCE OF SUPPLY

The LNG sold by Seller and delivered to Buyer will come from natural gas wells located in Algeria.

Seller represents that the LNG which is to be sold under the provisions of this agreement will be produced by the first four liquefaction units at Seller's liquefaction plant at Skikda, Algeria.

ARTICLE 4

FACILITIES OF SELLER. SHIP. DELIVERY POINT.
FACILITIES OF BUYER. PORT. TRANSFER OF TITLE.

SECTION 4.1. Facilities of Seller. Ship. Seller shall secure or shall have secured the delivery of the LNG mentioned above by an LNG tanker conforming with the specifications set forth in Appendix D to this agreement, the name of which shall be notified by Seller to Buyer before June 1, 1976. Seller has the right to substitute for such LNG tanker another LNG tanker subject to the condition that such LNG tanker be of equivalent size and specifications, or multiple tankers of smaller size subject to the condition that their conception and characteristics be compatible with Buyer's facilities, and in both cases subject to the condition that neither the quantities to be delivered under the terms of this agreement nor the sales price of the LNG to be paid by Buyer be modified because of this substitution. Seller shall be obligated to provide additional LNG tankers, subject to the same conditions, if necessary to deliver all quantities set forth in Section 6.1., subject to the conditions of Section 13.1 below.

SECTION 4.2. Delivery Point. Delivery of the LNG sold and purchased under this agreement will be made by Seller to Buyer on board an LNG tanker at the port of destination, and the point of delivery shall be at the flange connecting the permanent equipment of the LNG tanker with the receiving arms of the facilities at the port of destination designated by Buyer.

SECTION 4.3. Facilities of Buyer. Buyer shall construct, maintain and operate or cause to be constructed, maintained and operated at its sole cost, expense and risk, at the port of destination, docking, discharging and receiving facilities.

The docking facilities shall be capable of receiving, docking and handling at all times whether in daytime or at night-time, in all safety and always afloat, a LNG tanker no more than two hundred and eighty (280) meters in length with a draft of approximately eleven meters and ten centimeters (11.10) of water at full capacity and which is capable of transporting approximately one hundred and twenty five thousand (125,000) cubic meters of LNG. The configuration of Buyer's facilities is shown in Appendix C.

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The discharging facilities shall include pipes and other equipment of sufficient capacity to permit the discharging of an LNG tanker at rates as indicated in Section 11.3 below. Such facilities shall also include a vapor return line sufficient in size to return natural gas vapors from Buyer's storage tanks to the LNG tanker.

The receiving facilities shall include storage and other facilities of sufficient capacity to permit receipt of full cargoes of LNG at the rates of delivery specified above.

Buyer shall also provide, free of cost to Seller, facilities adequate to supply the LNG tankers with fresh water, liquid nitrogen and telephone.

SECTION 4.4. Port. The scheduled port of destination is the port of Boston (Massachusetts) where Buyer has now at its disposal the required facilities as defined above. However, Buyer shall have the right to designate any other safe port on the East coast of the United States of America, subject to such designation being notified to Seller in writing at least 15 days prior to the scheduled date of delivery; provided, however, that all required authorizations and permits, and any delay which may result therefrom, shall be the responsibility of Buyer; provided also that the sales price stated in article 9 hereinafter shall be adjusted in such case to take into account the variations in the length of the voyage and any additional costs which would be incurred as a result therefrom.

SECTION 4.5. Passage of Title. Title to and risks regarding the LNG sold and purchased hereunder shall pass from Seller to Buyer at the port of discharging at the time of passage of the product through the connecting flange of the ship's permanent equipment.

ARTICLE 5
LIABILITY

While the LNG tanker is being berthed or leaving the berth, and as long as it is berthed at the Buyer's dock, each party will be responsible to the other party for any proven injuries or damage, excluding all indirect consequences, which may be caused to the other party by the fault or act of the first party, its own employees, representatives, contractors or suppliers of services.

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Seller shall cause the LNG to be delivered and Buyer shall receive the LNG at the delivery point with due compliance with appropriate safety precautions.

ARTICLE 6

QUANTITIES AND RATE OF DELIVERIES

SECTION 6.1. Contractual Annual Quantities and Rate of Deliveries. The contractual annual quantity which Seller agrees to sell and deliver to Buyer and which Buyer agrees to receive and pay for on a firm "take or pay" basis is one million nine hundred thousand (1,900,000) cubic meters of LNG, plus or less five percent at Seller's option, corresponding to seventeen (17) full cargoes of a ship with a capacity of approximately one hundred twenty five thousand (125,000) cubic meters.

Seller and Buyer shall provide that annual inspections and overhauls of the plants and facilities necessary to carry out the operation contemplated by this agreement and of the LNG tanker shall take place preferably during the summer or at any such other suitable time of the year selected by mutual agreement as will not entail a decrease in the annual quantity of LNG the delivery of which is provided for by this agreement. Seller and Buyer shall notify each other of schedules of such annual inspections and overhauls ninety days prior to their commencement.

SECTION 6.2. Schedule of Deliveries. Seller shall submit to Buyer no later than sixty (60) days prior to the beginning of each year the schedule of deliveries which it proposes for such year. For each quarter of the year, and no later than thirty (30) days prior to the beginning of each quarter, Seller shall confirm the schedule for such quarter.

Ten (10) days prior to the beginning of each calendar month, Seller shall confirm by telex to Buyer the schedule of deliveries for such month.

Seller shall promptly notify Buyer by telex of any loading at Skikda of LNG to be delivered to the latter and of the departure from Skikda of such cargo and the estimated time of arrival at Buyer's terminal.

Seller shall make its best efforts so that the deliveries be always spaced by approximately twenty (20) days.

ARTICLE 7
QUALITY

The LNG delivered by Seller by Buyer will have in the gaseous state:

-- a PCS of between 9,640 Kcal/Nm3 and 10,650 Kcal/Nm3

-- constituent elements the percentage of which will vary within the following limits (in molecular percentage):

Nitrogen N2	between 0.2 and 1.4
Methane C	between 85.65 and 96.6
Ethane C2	between 3.2 and 8.5
Propane C3	between 0.0 and 3.0
Isobutane iC4	between 0.0 and 0.52
Normal butane NC4	between 0.0 and 0.7
Pentane C5 plus	between 0.0 and 0.23

-- an amount of H2S not exceeding zero point five (0.5) part per million in volume

-- an amount of mercaptan sulfur not exceeding 2.3 mg/Nm3

-- an amount of total sulfur not exceeding 30 mg/Nm3.

The verification of the PCS and of the composition of the LNG in compliance with the above specifications shall be made in accordance with the provisions of article 8 below.

For the verification of the amounts of sulphur and H2S, the procedures defined by the standards ASTM D 2385 and D 3031 shall be applied.

ARTICLE 8
MEASUREMENT AND TESTING

SECTION 8.1. Gauging. The quantities of LNG delivered under this agreement shall be measured in metric units by gauging of the liquid in the ship's tanks.

The first gauging shall be made immediately after the ship's captain has given his Notice of Readiness to discharge and as soon as the ship is

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berthed, the linking of the gaseous stages between the ship and the terminal and the balancing of pressures have been achieved.

A second gauging shall be made immediately after the end of discharging.

These gaugings shall be made by Seller. Buyer shall have the right to be present if it so wishes.

Seller shall provide Buyer with a certified true copy of the gauging scales for each of the tanks of the ship in metric units approved by the Service des Instruments et Mesures de Paris as well as of the correction tables (list, trim, contraction of the tanks, etc . . .). These scales and tables shall be used for the entire duration of the agreement unless the tanks are physically modified, in which case new scales and tables shall be established.

SECTION 8.2. Determination of Density. The density of the LNG shall be determined by measurement on board the ship, by means of approved instruments.

In the case of defective functioning of the measuring equipment, the density shall be determined by a calculation from the molecular composition determined in accordance with Section 8.4 below, for the average temperature defined in Section 8.3.

The method of calculation shall be that generally used by Seller for its sales of LNG to other buyers and should it be changed from the method now used, shall be mutually agreed upon by Buyer and Seller.

The density shall be expressed in kg/m3.

SECTION 8.3. Determination of the Temperature. The temperature of the cargo shall be the arithmetic average of the temperatures indicated by the temperature-registering devices immersed in the LNG in all of the tanks.

The temperature-registering devices, thermocouples or "resistance probes", shall be distributed over the entire height of the tanks and shall be accurate to 0.2[degree]C, more or less, subject to the condition that the instruments are capable of being that accurate. These temperatures shall either be recorded in writing or printed.

SECTION 8.4. Sampling. One or several representative samples of the LNG shall be taken at a point located as close as possible to the discharging

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flange of the LNG tanker. The sampling device shall permit the total vaporization of a definite quantity of LNG allowing the taking of representative gaseous samples.

The device shall be chosen by mutual agreement between Seller and Buyer. Samples shall be analyzed with the aid of a chromatograph approved by Seller. The analysis or the average of these analyses shall determine the molecular composition of the LNG.

A calibration of the chromatograph used shall be made before each delivery, with the aid of a gaseous sample, in the presence of a representative of Seller being present if it so wishes.

SECTION 8.5. Determination of the Gross Heating Value. The gross heating value (PCS) of the regasified LNG shall be calculated from its molecular composition determined in accordance with Section 8.4, from the molecular masses and from the PCS at 0[degree]C at a pressure of 760 mm/Hg of each of the constituent elements.

The PCS shall be expressed in thermies/kg.

The PCS values of each of the constituent elements are indicated in the table attached hereto as Appendix B. They are deduced from the physical values given by the tables of API Research Project 44; they shall be corrected, without retroactive consequence, in the case of changes published later by the API.

SECTION 8.6. Determination of the Thermies of BTU's Delivered. The quantity of thermies delivered by the ship shall be computed from the following formula:

Qth = V X M X PC

in which:

Qth represents the quantity of thermies delivered

V represents the volume in cubic meters of LNG discharged in m3, determined in accordance with Section 8.1

M represents the density of LNG determined in accordance with Section 8.2, and expressed in kg/m3

PC represents the PCS determined in accordance with Section 8.5 and expressed in thermies/kg

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The quantity of millions of BTUs (MMBTU) delivered shall be equal

to

$$QMMBTU = \frac{Qth \times 3{,}968.3}{1{,}000{,}000}$$

SECTION 8.7. Methods of Operation. The gauging equipment in the ship's tanks and the equipment for measuring the density of the LNG, shall be provided, operated and maintained by the Seller at its expense. The equipment and material utilized for the determination and tests of the quality of the product shall be provided, operated and maintained by Buyer, at its expense.

Any measurement and any calculation relating to the gauging and the determination of the density of the LNG shall be made by Seller, in the presence of a representative of Buyer if Buyer so wishes. Any measurement and any calculation relating to the determination and tests of the quality of the LNG shall be made by Buyer, in the presence of a representative of Seller if Seller so wishes.

The absence of one of the parties will affect neither the taking of the measurements nor the preparation of the calculations incumbent upon the other party.

At any time, one party shall have the right to inspect the measuring and testing equipment provided by the other party, after prior notice to the latter.

Calibration of an instrument shall be made by the party in charge of the operation of this instrument, the other party having the right to be present at such operations.

However, all data relating to the tests, diagrams, calculations or any other similar information must be made available to the parties and kept for a period of at least three (3) years.

SECTION 8.8. Accuracy of Measurements. The accuracy of the equip- ment used may be verified on request of Seller or Buyer. Such verifications may only be made if the two parties are present by methods recommended by the makers of the instruments or by any other method agreed upon by Buyer and Seller.

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If, when verified, a measuring apparatus shows errors of less than one percent (1%) the previous reports on this equipment shall be considered correct regarding calculation of deliveries and the equipment shall be adjusted immediately as needed.

If, when verified, a measuring apparatus shows errors of more than one percent (1%), the previous reports on this equipment shall be recalculated to a zero deviation by comparison to calibration results for any definitely known or agreed period; but if the period in which this error occured were not definitely known or agreed upon, this correction would be made for half of the deliveries since the date of the last calibration.

The equipment for measuring the level of the LNG and its mass, and the temperature in the ship's tanks, as well as the chromatographs for analysis of natural gas, shall be the most reliable and accurate instrument known at the time they are chosen.

The equipment shall be professionally installed. The parties shall make every effort to obtain from the Service des Instruments et Mesures de Paris approval of measuring equipment and apparatus used.

SECTION 8.9. Disputes. Any dispute on the choice of the type and accuracy of the measurement apparatus, the result of a measurement, a sampling, an analysis, a calculation or method of calculation, shall be referred to the Ecole Polytechnique Federale de Zurich (Technische Hochschule, Zurich).

Any decision of this body shall be binding on Seller and Buyer. Expenses incurred relating to the services of this body shall be evenly divided between Seller and Buyer.

ARTICLE 9
PRICE

The sales price of the LNG, ex-ship, port of destination, is equal to the sum of the FOB price plus the cost of transport, determined in accordance with sections 9.1 and 9.2 hereinafter. It is expressed in U.S. dollars per million BTUs delivered.

SECTION 9.1. FOB Price. The FOB price, Algerian coast, is either determined in accordance with section 9.1.1 hereinafter, or equal to the

Minimum Price determined in accordance with section 9.1.2 hereinafter if the latter is greater. The former price shall be computed on the first working day of each semester of the Gregorian calendar. The latter price shall be computed on the first working day of each month. The FOB price shall be the greater of the two and shall apply to the deliveries which will or must be made during the course of the month concerned.

SECTION 9.1.1. Invoiced Price, Except for Application of the Minimum Price. The FOB portion of the invoiced price shall result from the application of the following formula:

$$P = P0 \left(0.5 \frac{F}{F0} + 0.5 \frac{F'}{F'0}\right)$$

in which:

P = the invoiced price in U. S. dollars;

P0 = the base price taken as equal to U. S. $1.30 per million BTU on July 1, 1975;

F = the price, expressed in U. S. dollars per barrel, of "No. 2 fuel oil", resulting from the arithmetic average of the highest prices published by Platt's Oilgram under the heading "Atlantic and Gulf Coast, New York Harbor District" for each day during a period of six consecutive months ending one month prior to the beginning of the semester for which the invoiced price is computed;

F0 = U. S. $12.642 per barrel

F' = the price, expressed in U. S. dollars per barrel, of "No. 6 fuel oil, low pour" having a maximum of 0.3% sulfur, resulting from the arithmetic average of the average prices published by Platt's Oilgram under the heading "Atlantic and Gulf Coast, New York Harbor District, No. 6 Fuel Rack" for this fuel oil, for each day during a period of six consecutive months ending one month prior to the beginning of the semester for which the invoiced price is computed;

F0' = U. S. $13.505 per barrel

If the price of one of the above-mentioned fuels were not published in Platt's Oilgram, the last available published price would be applied. If the price of one or both above-mentioned fuels were no longer published in Platt's Oilgram, Buyer and Seller would mutually agree upon one or more than one new reference indices for equivalent products, or, lacking that, for products having characteristics as similar as possible.

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SECTION 9.1.2. Minimum Price. The Minimum Price will result from the application of the following formula:

$$PM = PM0 (E + 1)$$

in which:

PM = the Minimum Price computed in U.S. dollars;

PM0 = the base Minimum Price taken as equal to U.S. $1.30 per million BTU on July 1, 1975;

E = the arithmetic average of the results obtained by applying the formula $\frac{B}{A} - 1$ to each of the six (6) currencies (the "Currencies") of the following countries: Belgium, France, the Federal Republic of Germany, Italy, Switzerland and the United Kingdom, in which:

A = the average commercial rate of exchange in effect for the month of July 1975, on the London Market, for each of the Currencies, expressed in cents of U.S. dollars for one unit of each Currency (to the nearest 6th significant figure). The commercial rate of exchange referred to above for each of the Currencies is set forth in the following table:

COUNTRY	CURRENCY	IN CENTS OF U. S. DOLLARS
Belgium	Franc belge	2.719421
France	Franc francais	23.707874
Federal Republic of Germany	Deutschmark	40.597400
Italy	Lira	0.154130
Switzerland	Franc suisse	38.350735
United Kingdom	Pound	218.483913

B = the commercial rate of exchange for each of the Currencies and shall be the arithmetic average, as certified by National Westminster Bank Limited of London (the "Bank"), of the average purchase and sale rates quoted for exchange transactions by cable transfer published by the Bank at 10:30 GMT for each business day during the month preceding the day of computation of the Minimum Price and expressed in cents of U.S. dollars for one (1) unit of such Currency (rounded to the nearest 6th significant fiqure).

In the absence of quotations concerning a Currency on a given day, the rate of exchange of payment for such day shall be that of the last day on which such rate shall have been used.

Item E shall be considered equal to 0 as long as its absolute value shall not vary by 0.01 or more in relation to zero. When such level shall have been attained or surpassed, the Minimum Price shall be computed by using the value of E as computed above. Such value of E shall thereafter remain the value used for the computation of the Minimum Price as long as a new variation of 0.01 or more in relation to such value shall not have taken place.

If, for any currency, the Bank quote at 10:30 GMT of a business day more than one category of rates for purchase and sale for cable transfer exchange transactions, the purchase and sale rate for such Currency shall be the arithmetic average of each category of purchase and sale rates quoted.

If the Bank refuses or is unable to act, Buyer and Seller shall elect another large London bank by mutual agreement.

In the case of consolidation, subdivision or replacement in whatever manner, or of any other similar modification affecting any of the Currencies, the corresponding successor currency shall be substituted for the Currency or Currencies so consolidated, subdivided, replaced or changed in that ratio of units of the old currency to units of the old currency to units of the successor currency in order to reflect most appropriately the terms of such consolidations, subdivisions, replacements or changes and the initial exchange rate of such Currency or Currencies shall be revised, as the case may be, in order to reflect most appropriately such consolidations, subdivisions, replacements or changes, in a way accepted by both parties. Deliveries commenced during a calendar month, but completed at a time in the following calendar month, shall be at the rate in effect on the date when discharging operations commenced. Whatever the value of E may be, PM shall never be less than PMo.

SECTION 9.2. Cost of Transport. The cost of transport is determined on January 1 of each year, for the duration of this contract, for all deliveries to be made during the following twelve months, in accordance with the following formula:

$$C = 2.36 \frac{G}{Go} + 1.29 \frac{H}{Ho} + 6.13 \frac{P}{Po} + 2.29 \frac{I}{Io} + T$$

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in which;

T = $T_o(E+1)$

T_o = $60.52 + 9.30 \frac{S}{S_o}$

C = cost of transport per MMBTU delivered expressed in cents of U.S. dollars; as of July 1, 1975, C = 81.89.

G = Average value over the 31 days of the month of December of the year immediately preceding the year for which the cost of transport is being determined of the highest daily prices quoted for No. 6 fuel in the publication Platt's Oilgram Price Service under the heading Atlantic and Gulf Coast--New York Harbor (POPSAGCNYH), and expressed in U.S. dollars per barrel;

G_o = average value over the 30 days of the month of June, 1975, of the highest daily prices quoted for No. 6 fuel by the publication POPSAGCNYH; G_o = $13.95 per barrel.

I = total annual charges incurred in the year for which the cost of transport is being determined for the insurance of the LNG tanker "Ben Franklin"; expressed in U.S. dollars.

The insurance of the LNG tanker shall cover risks to the hull and machinery, safe arrival, ordinary risks, and war risks and shall include risk, protection and compensation insurance.

If, in accordance with Section 4.4 of Article 4 of this contract, a ship other than the "Ben Franklin" is used to transport the LNG, I shall be determined in the above manner for such ship.

I_o = U.S. $1,000,000.

H = total port charges incurred by the LNG tanker during the year immediately preceding the year for which the cost of transport is being determined, expressed in U.S. dollars. Port charges invoiced and paid in a currency other than U.S. dollars shall be recorded for the computation of H in dollars at the rate in effect on the date of invoicing. If the ship makes less than 17 voyages during the year immediately preceding the year for which the cost of transport is being determined, H shall be determined pro rata

according to the number of voyages actually made. For the first year of the contract the figure H is contractually fixed at the value Ho.

Ho = U.S. $591,000;

P = the FOB price determined in accordance with Section 9.1 in U.S. dollars;

Po = the base FOB price taken as equal to U.S. $1.30 per million BTU on July 1, 1975;

E = the same meaning as in Section 9.1.2 above;

S = the value for the month of June of the year immediately preceding the year for which the cost of transport is being determined, of the index "average Hourly Earnings of Non-Supervisory Workers" in "Transportation and Public Utilities", published in "Employment and Earnings" by the U.S. Department of Labor;

So = the value of the above defined index S for the month of June, 1975, i.e. $5.82.

ARTICLE 10

TAXES AND DUTIES

All duties, taxes and imposts affecting the LNG cargo and collected by the Government of the United States of America shall be borne by Buyer.

All duties, taxes and imposts affecting the LNG cargo and collected by other states and all duties, taxes and imposts affecting the LNG tanker shall be borne by Seller.

ARTICLE II

DISCHARGING

SECTION 11.1. Notice of Arrival. Seller shall notify Buyer or cause Buyer to be notified, at least seventy-two (72) hours and again at least twenty-four (24) hours in advance of the estimated hour when the LNG tanker will arrive at the port designated by Buyer.

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SECTION 11.2. Notice of Readiness to Discharge. As soon as the LNG tanker arrives at the port of discharge, that is, for Boston, at the pilot's station, the captain of the ship or the representative of Seller shall notify Buyer or its representative, by any means, at any hour of the day or night.

Buyer represents and warrants that the Buyer's facilities will be ready for receiving and discharging the LNG tanker as soon as it has arrived with no expense for such use to be charged to Seller by Buyer.

SECTI0N 11.3. Laytime.

(a) Authorized Laytime. Buyer shall be allowed as authorized laytime for discharging and receipt of the cargo and any other purposes connected therewith 24 running hours, Sundays and holidays included, if the capacity of the LNG tanker is over 80,000 cubic meters, and 20 running hours, Sundays and holidays included, if the capacity of the LNG tanker is less than 80,000 cubic meters.

(b) Beginning of Authorized Laytime. Laytime shall commence either at the expiration of the six running hours following delivery to Buyer of the Notice of Readiness provided in Section 11.2 above, or at the time of attachment of the discharging arms of the Buyer's terminal to the permanent vessel connections whichever occurs first.

(c) Extension of Authorized Laytime. The authorized laytime as defined in paragraph (a) of this Section shall be extended should the time consumed by the ship to get to the discharging berth, after delivery of the Notice of Readiness to Discharge, exceed six hours for one of the following reasons:

1. failure of the ship;

2. application of the regulations in force at the time of execution of this agreement or of decisions of governmental authorities or agencies taken pursuant to such regulations;

3. prohibition from proceeding to the berth by night;

4. weather conditions including bad weather.

The term of extension shall be equal to the delay of the ship in getting to the dock over and above the above-mentioned six hours in the first three cases; to half such delay in the fourth case.

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Should the regulations referred to in 2. above be materially amended after the date of execution of this agreement, the parties shall meet to determine the effect of such amendments on the cost of transportation and adjust it, if relevant, by mutual agreement.

While the ship is berthed, should there occur a period of time during which Seller's and Buyer's facilities simultaneously fail, the authorized laytime shall be extended by a term equal to half such period.

While the ship is berthed, should there occur a delay attributable exclusively to the LNG tanker, caused, among other things, by breakdown or inability of the LNG tanker facilities to discharge the cargo within the allowed time, a term equal to this loss of time shall be added to the authorized laytime.

SECTION 11.4. Demurrage. The discharging of the LNG tanker will end either at the time when the discharging arms of the Buyer's terminal are disconnected from the permanent vessel connections, or when the documents relating to the operations effected are delivered on board, whichever comes last. Should the discharging end after expiry of the authorized laytime as defined in Section 11.3 above, Buyer shall pay demurrage to Seller at the rate provided in Appendix E.

Demurrage shall be prorated for a fraction of a day. Such rate shall be adjusted on January 1 of each year, the first adjustment taking effect on January 1, 1978, in the same proportion as the cost of transport, in accordance with the formula set out in Section 9.2.

If, however, demurrage accrues at the port of discharge

(1) by reason of strike or lockout preventing or delaying the LNG tanker from reaching or entering the port, or docking or discharging, or

(2) by reason of fire, explosion, breakdown or deficiencies in the shore facilities of Buyer or its agents,

the rate of demurrage shall be reduced to one-half for the demurrage thereby incurred. In such event, Seller agrees to waive the provision of Section 4.2 requiring 15 days' notice for instructions to proceed to another port. However, in case of delay to the LNG tanker caused by a strike, lockout, fire, explosion or breakdown commencing or occuring after expiry of the authorized laytime, the full rate shall apply, unless such event

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commences or occurs while the LNG tanker is already on half-demurrage, in which case the half-demurrage rate shall continue to apply until termination of the event having caused it.

SECTION 11.5. Supply of Discharging Arms. Buyer shall supply the arms necessary to discharge LNG. These arms will be connected to the discharging pipe of the ship by Buyer or, at the request of the captain, by the ship but at the risk and cost of Buyer.

ARTICLE 12
INVOICING, PAYMENT AND ERRORS

SECTION 12.1. Invoicing and Payment.

(a) Immediately upon completion of each discharging, Seller shall prepare and deliver to Buyer the documents showing the measurements and calculations made in compliance with Article 8 concerning the delivered cargo.

Seller shall also prepare and deliver promptly to Buyer, for each cargo of LNG, an invoice showing the quantity of delivered BTUs based on the PCS of the LNG and the sum in U.S. dollars due by Buyer to Seller.

Buyer shall pay Seller the sums invoiced to and due by Buyer to Seller for each delivered cargo of LNG within ten (10) days following receipt of the invoice. In the case of a delay in the payment of the invoices, the amounts owed by Buyer shall bear interest at a rate of ten (10) percent per year.

(b) If no payment is made within a period of thirty (30) days, Seller shall have the right to suspend further deliveries until payment is made and such suspension will neither entitle Buyer to claim any compensation therefor nor release Buyer from its obligations under this agreement.

(c) In the case of a dispute about the preparation of an invoice, Buyer shall pay the amount of such invoice as a deposit. Seller and Buyer shall thereafter determine what corrections are to be made to the invoices in dispute. Any adjustment to be made to the payment, either by Buyer or by Seller, shall bear interest, from the due date of payment until the date of the adjustment, at a rate of ten (10) percent per year.

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(d) If Buyer is unable or unwilling to take delivery of one or several cargoes of LNG to be tendered to it as provided by this agreement, Buyer shall nevertheless be obligated to pay Seller for the corresponding quantities of LNG at the price indicated in Article 9. Seller shall immediately issue and deliver to Buyer for each cargo which would not be taken as indicated above an invoice for an amout equal to the sum in U.S. dollars due by Buyer to Seller. Buyer shall pay the sum invoiced by and due to Seller within ten (10) days after Buyer receives the invoice.

(e) The sums owed by Buyer to Seller pursuant to the terms of this Section will be paid in U. S. dollars and the corresponding payments will be made to Buyer to the bank account of Seller mentioned on the invoice.

(f) Should Buyer, pursuant to this agreement, pay for an LNG cargo without taking delivery thereof, Seller shall credit Buyer with the proceeds of any sale of such cargo to a third party, after deducting the expenses reasonably incurred in connection with such sale to a third party.

SECTION 12.2. Errors. In the event of any error being found in the amount shown on any invoice issued pursuant to Section 12.1, such error shall be corrected within one (1) month after it has been found, provided notice thereof shall have been given within three (3) months from the date when the invoice was issued.

ARTICLE 13

FORCE MAJEURE AND ALLOCATION OF PRODUCTION

SECTION 13.1. Force Majeure. The contracting parties shall be temporarily released, in whole or in part, from their obligations: in the case of events such as, especially:

- fire, flood, atmospheric disturbance, storm, hurricane,
- earthquake, undermining of the ground, landslide, lightning, epidemic,
- war, riot, insurrection, act of a public enemy, ...
- strike, lockout, ...

provided that the burden of establishing that such an event has occured and has the characteristics of force majeure shall lie on the party claiming such release; and in the case of the following events:

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- severe accident with respect to operation or equipment affecting the facilities for the production of natural gas in the field, the transportation by the main pipe line in Algeria, the processing, the liquefaction, the storage, the loading operations, the transportation by LNG tanker and the receiving facilities, the storage, the regasification as well as the main exit pipeline from the regasification plant to the first branching on such pipeline provided that the length of any such exit pipeline shall not exceed twelve (12) U. S. miles, of such nature that its consequences cannot be overcome by using reasonable means at a reasonable cost,

- act of a third party affecting the same items as above, such that this act or its consequences cannot be overcome by using reasonable means at a reasonable cost,

- any act or failure to act of any public authority of Algeria or any other country entailing the suspension of the operations which are the subject of this agreement.

The concerned party shall as soon as possible after any of the abovementioned events has occurred give notice to the other party by letter, or by telephone or telex confirmed by letter.

It is agreed that in no event shall Seller or Buyer be released from obligations already existing upon them at the date of the notice, including the Buyer's obligation to pay the sums owing on such date for the payment of the quantities of LNG previously delivered.

In all cases, the contracting parties shall make all appropriate arrangements to resume within the shortest possible period of time the performance of the agreement.

SECTION 13.2. Allocation of Production. When for any reason, including but not limited to force majeure, production from the first four liquefaction units at Seller's liquefaction plant at Skikda is at any time insufficient to permit full performance of this agreement, Seller will immediately allocate production among Buyer and its other customers for LNG from those units in accordance with the following provisions:

1. No LNG will be delivered to any third party from any of the first three liquefaction units other than Buyer and Seller's other customer presently receiving deliveries of LNG from those units under contracts in force as of the date of execution of this agreement.

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2. No LNG will be delivered from the fourth liquefaction unit to any third party other than Buyer and Seller's other customer for LNG from such unit under a contract existing as of the date of execution of this agreement.

3. Seller undertakes to provide to Buyer regular current information on production from the first four units at Skikda and quantities delivered to its customers from those units. Subsequent to the resumption of normal production from the first four liquefaction units, permitting full performance of this contract, Seller will furnish to Buyer a summary schedule of production and deliveries made from such units during the period of allocation.

This provision shall in no way limit Seller's ability to deliver nor Buyer's ability to receive quantities of LNG from other liquefaction units which may be built at Skikda in the future.

ARTICLE 14

EFFECTIVE DATE AND TERM OF THE AGREEMENT

This agreement shall enter into effect on the date of its execution subject to the condition mentioned in Section 18.1 and shall become operative from January 1, 1978.

This agreement shall remain in effect for twenty (20) consecutive years from the date of the first regular delivery of LNG.

The first regular delivery of LNG is defined as being the first of at least 13 deliveries of complete cargoes made over a period of 12 months totaling at least 1,400,000 cubic meters.

It is agreed that this agreement may not remain in effect after January 1, 2000, unless otherwise mutually agreed.

ARTICLE 15

NOTICES

Any notice, request, claim, invoice, report or other communication required or provided for by this agreement, or any notice that one party may

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wish to give to the other party, shall be in writing and deemed to have been duly delivered when personally handed over to a qualified employee of the party or to its duly appointed representative or when received by registered letter or telegram to the address of such party or of the duly appointed person.

Seller and Buyer now designate their addresses as follows:

Seller: Sonatrach
80 Avenue Ahmed Ghermoul
Algiers, Algeria

Buyer: Distrigas Corporation
125 High Street
Boston, Massachusetts 02110
U.S.A.

Either party may change its address by giving the other party prior written notice thereof.

Any notice mailed or sent by telegram shall be deemed to have been given on the date when received by the addressee, except that routine communications, including invoices, reports and payments, shall be deemed to have been duly delivered on the date when mailed or handed over to the duly appointed person employed by the party or to its representative.

ARTICLE 16

GOVERNING LAW

This agreement shall be construed in accordance with the laws of the United Kingdom.

ARTICLE 17

ARBITRATION

Any dispute between the parties hereto relating to the construction or the performance of the terms of this agreement shall be settled by arbitration in Geneva, Switzerland, by arbitration under the rules of conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with such rules. The arbitration award shall be final and without any appeal being open.

The parties shall perform the arbitration award without any exception or reservation. Such award may be invoked before any court of competent jurisdiction and application may be made to such court to confirm such arbitration award by authorizing its enforcement.

ARTICLE 18

APPROVAL OF GOVERNMENTAL AUTHORITIES

SECTION 18.1. Governmental Authorizations. This agreement is subject to the respective authorizations of the governmental authorities of the parties concerned.

SECTION 18.2. What Seller and Buyer Shall Make Every Effort to Obtain.

Seller shall do all in its power to obtain within the shortest possible period of time all approvals and authorizations which may be required by the administrative authorities of Algeria, or by any other authority, deemed necessary by Seller, to allow Seller to begin and to continue deliveries of LNG to Buyer under the terms of this agreement, and to provide Buyer with certified true copies of such governmental approvals and authorizations attaching certified true copies of the rules, regulations and restrictions imposed by each of these administrative authorities concerning such authorizations.

Buyer shall do all in its power to obtain within the shortest possible period of time all approvals and authorizations required by the administrative authorities of the United States of America, or deemed necessary by Buyer, to allow it to begin and to continue to receive the LNG under the terms of this agreement and to provide Seller with certified true copies of such governmental approvals and authorizations attaching certified true copies of the rules, regulations and restrictions imposed by each of the administrative authorities, if any, concerning such approvals and authorizations. Buyer shall also do all in its power to obtain from the administrative authorities of the United States of America any other approval or authorization which may be required from time to time during the term of this agreement.

Each party shall, if required by the other, help the other party by doing all in its power to obtain such governmental authorizations and approvals.

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The party having obtained said authorizations and approvals shall within the shortest possible period of time notify the other party and shall let the other party know as soon as possible if these governmental approvals and authorizations are of an appropriate form and will allow it to meet the contractual obligations contained in this agreement. When all of these governmental approvals and authorizations deemed indispensable by Seller and Buyer have been obtained, Seller and Buyer shall so notify each other.

If, by June 30, 1977 at the latest, Buyer and Seller do not succeed in obtaining the necessary governmental approvals and authorizations permitting the importation or exportation of the maximum number of complete cargoes mentioned in Section 6.1. and for the term of this agreement, Seller or Buyer shall have the right to terminate this agreement at any time after such date and before the obtaining of such approvals and authorizations by notifying the other party in writing of its intention.

SECTION 18.3. No Liability in Case of Termination. Should either Seller or Buyer exercise the right provided in Section 18.2 (fourth sub-paragraph) to terminate this agreement, the party exercising such right shall not be held liable to the other party for any damage, expense or loss incurred by such other party as a result of the termination of this agreement.

ARTICLE 19

CONTENTS OF THE AGREEMENT

This agreement contains the entire contract and agreement entered into between the parties and supersedes all prior agreements between them with respect thereto. No oral promise or representation may affect it. It may be amended only in writing and by mutual agreement.

The provisions concerning measurement procedures and methods of analysis may be amended or supplemented by memoranda written, under mutual agreement, by the employees of Buyer and Seller.

ARTICLE 20

REVISION OF THE CONTRACTUAL SALES PRICE

The parties agree to meet regularly to proceed with the revision of the Contractual Sales Price defined in Article 9, above. They shall so meet for

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the first time during the first quarter of the year 1980 and thereafter every four (4) years.

The revision of the price shall consist in adapting it in a reasonable and fair manner to the economic circumstances then prevailing on the imported Natural Gas market and on the market for the other imported energy supplies competing with this product in the East Coast and Gulf Coast areas of the United States of America within the framework of long term contracts. The parties shall take into account the individual characteristics of each of the above products including the quality, the continuity of deliveries, the production and transportation costs, etc.

In addition, if after the first deliveries any and/or both of the F and F' indexes would no longer reflect the evolution of the market prices in the East Coast and Gulf Coast areas of the United States of America of fuel oils with similar characteristics, the parties agree to meet at any time to determine new more representative reference indexes.

The request for such a meeting shall be in writing, and shall be delivered 180 days in advance, and shall set forth the agenda for such meeting.

If the parties, in either case, cannot reach an agreement within 90 days from the date of their first meeting to this effect, either party shall be entitled to have recourse to arbitration as provided in Article 17 above.

No amendment agreed to by the parties or resulting from an arbitration award shall become effective before it is approved by the authorities having jurisdiction in the countries of the parties. As long as such authorization is not obtained, the provisions of Article 9 then applicable shall remain unchanged.

ARTICLE 21

ASSIGNMENT

Seller or Buyer may assign all or a part of the rights which it holds under this agreement to any person who, by accepting this assignment, shall become a party to this agreement, but no assignment shall ever release or relieve Seller or Buyer of any of its obligations or commitments agreed to under this agreement.

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The party assigning its rights shall, before proceeding to the assignment, obtain the prior authorization of the other party, which shall not unreasonably refuse it, and shall deliver to it copies of the instrument establishing the assignment after having proceeded to it.

Any assignment shall contain a provision to the effect that the assignee agrees that all the clauses and conditions of this agreement will be binding upon and inure to the benefit of the parties, their successors and assigns, and shall include the express commitment of the assigning party, that is to remain guarantor towards the other party for the due performance of the contractual obligations of its assignee.

ARTICLE 22

NON PERFORMANCE AND TERMINATION OF THE AGREEMENT

Over and above what is provided for in Section 12.1.(b), should Seller or Buyer default in one of its obligations under this agreement, and should this default continue for sixty (60) days after the non-defaulting party has requested the defaulting party to remedy this default, the non-defaulting party shall have the right, in addition to all its other rights and recourses, to interrupt the deliveries or receipts of LNG until this default is remedied, or to terminate this Agreement.

ARTICLE 23

MISCELLANEOUS

SECTION 23.1. Exchange of Information. The parties shall keep each other informed as to the progress being made in obtaining all the governmental authorizations provided for in Sections 18.1 and 18.2 above.

Additionally, in order to facilitate the construction and operation of the facilities, the Parties hereby agree to exchange information relating thereto as frequently as appropriate and in any event, not less than once in each quarter.

To the extent possible working sessions shall be held at the construction sites of the Parties relating to the operations which are the subject of this Contract.

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SECTION 23.2. Language. This agreement is signed by the parties in two original copies in the French language and in two original copies in the English language.

In case of discrepancy between the French original and the English translation, and if the parties cannot reach an agreement as to such discrepancy in good faith and together, the text in the French language shall prevail.

Made in Boston, on April 13, 1976

DISTRIGAS CORPORATION	SONATRACH
By JOHN G. L. CABOT	By SLIMANE BOUGUERRA
John G. L. Cabot Vice President	Slimane Bouguerra Vice President-Marketing

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APPENDIX A

DEFlNITIONS

For the purpose of this agreement, to which this Appendix A is attached, the words and terms hereafter shall have the following meanings unless their use in the context obviously implies a different meaning:

1. NATURAL GAS (NG)

Any hydrocarbon or mixture of hydrocarbons consisting mainly of methane, in the gaseous state, and which is extracted from underground in the natural state, separately or in association with liquid hydrocarbons.

2. LIQUEFIED NATURAL GAS (LNG)

Natural gas at its bubbling point or below and at or about the atmospheric pressure.

3. NORMAL CUBIC METER (Nm3) [to the third power]

Quantity of natural gas necessary to fill one (1) cubic meter of space at a temperature of 0[degrees]C and at a pressure of 1.01325 Bar.

4. GROSS HEATING VALUE (PCS)

Amount of heat generated by burning one cubic meter of water-free gas in the air, at a constant pressure, the air being at the same temperature and at the same pressure as the gas, after cooling the products of the combustion to the initial temperature of the gas and air, and after condensation of the water produced by the combustion.

The initial conditions of the air and gas will be equal to 0[degree]C and 1.01325 Bar.

5. THERMIE (th)

One calory (cal) being the amount of heat necessary to raise by 1 [degree] C the temperature of one (1) gram of an element the heat pertaining to the mass of which is equal to that of water at 15 [degrees] C at normal atmospheric pressure (1.01325 Bar), one thermie is equal to one thousand kilocalories (Kcal),

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one kilocalory (Kcal) being itself equal to one thousand (1,000) calories; 252 thermies being equal to one (1) million BTU (MMBTU).

All references to BTUs, calories, kilocalories, thermies shall be considered as references to BTUs, calories, kilocalories, thermies of gross heating value, at constant pressure.

6. BTU

BTU means one (1) British Thermal Unit (BTU) and is defined as the amount of heat required to raise the temperature of one pound (avoirdupois) of water from fifty-nine (59) to sixty (60) degrees Fahrenheit at the absolute constant pressure of fourteen and six hundred and ninety six thousandths (14.696) pounds per square inch.

7. STANDARD CUBIC FOOT (SCF)

One standard cubic foot (SCF) is the quantity of natural gas filling one (1) cubic foot of space at a temperature of sixty (60) degrees Fahrenheit and at the absolute pressure of fourteen and six hundred and ninety six thousandths (14.696) pounds per square inch.

8. BAR

One bar is equal to one hundred thousand (100,000) Pascal; one Pascal is the pressure exercised by a force of one (1) Newton per square meter; one (1) Newton is the force which, applied to a mass of one (1) kilogram, transmits to it an acceleration of one (1) meter per second/per second (1 m/sec2).

9. CONTRACTUAL ANNUAL QUANTITY

The contractual annual quantity means the quantity of LNG which Buyer is under an obligation to buy and to receive and which Seller is under an obligation to deliver to Buyer each contractual year.

10. POUND

A pound is the weight unit defined by the avoirdupois system.

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11. LNG TANKER

LNG tanker means a ship in which LNG purchased and sold is transported.

12. BARREL

Barrel means forty-two (42) United States gallons (five cubic feet six thousand one hundred and forty six ten thousandths) (5.6146 cft).

13. DAY

The period of time of 24 consecutive hours beginning at 8:00 a.m. GMT of every calendar day and ending at 8:00 a.m. GMT of the following calendar day.

14. MONTH

The period of time beginning at 8:00 GMT the first day of a calendar month and ending at the same hour of the first day of the following calendar month.

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APPENDIX B

Conditions 0 [Degrees] C 760 mm/Hg

COMPONENTS	PCS	
	KCAL/MOL	THERMIE/KG
CH_4	213.31	13.2961
C_2H_6	374.52	12.4549
C_3H_8	534.08	12.1114
nC_4H_{10}	693.49	11.9313
iC_4H_{10}	691.52	11.8974
nC_5H_{12}	853.99	11.8362
iC_5H_{12}	852.11	11.8101

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APPENDIX C

BUYER'S FACILITIES

This description will be applicable starting January 1, 1978.

1. MOORING FACILITIES

(a) Depth. The berth is dredged to maintain a depth of at least 36.4 feet (11.1 m) at mean low tide.

(b) Dolphins. The attached Figure C-1 shows the location and load capacity of breasting and mooring dolphins.

(c) Platforms. Two platforms alongside are suitable to receive an accommodation ladder. These are shown in Figure C-1.

(d) Length. The extent of the berth in the easterly direction is the property line, which is 470 ft. (143 m) from the central (vapor) unloading arm. The extent of the berth in the westerly direction is approximately 1,000 ft. (305 m).

2. UNLOADING FACILITIES

The unloading equipment consists of five marine unloading arms, four for liquid and one for vapor. Each connection is a 12-inch ASA 150-RF flat-faced flange. The plan and elevation of the arms are shown in Figure C-2.

The four liquid arms connect to a 24-inch unloading line that leads to two storage tanks, with nominal capacities of 59,000 m3 and 95,000 m3.

The vapor arm is connected to a 12-inch vapor return line leading from the tanks. The line is equipped to return sufficient vapor to maintain the ship's connecting flange at 1080 millibar absolute pressure.

3. AUXILIARY FACILITIES

On the loading arm platform (elevation 53 ft. 9 in. in Figure C-2) is a connection for loading liquid nitrogen and a bonding cable for electrical grounding.

An "international flange" connection for supplying supplementary firewater is located on the dock approximately 40 m east of the cargo

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manifold. A fresh water connection is located near the gate at the dock roadway at the head of the pier. The locations of the water connections are shown on Figure C-1.

4. COMMUNICATION

The focal point for communication between the ship and the Buyer's facilities shall be the ship's cargo control room. Buyer shall station a representative in the control room who is duly authorized and fully competent to relay all requests, replies, and statements between the ship's cargo officer and Buyer's Supervisor-in-Charge. To facilitate efficient communication, Buyer shall provide its representative with at least two independent means of communication with shore.

FIGURE C-1:

DATUM REFERENCE DIAGRAM FOR DOCKING FACILITIES

FIGURE C-2:

Low and high water marks at the Everett Marine Terminal
docking facilities, together with layout of chicksan
arm unloading mechanism.

APPENDIX D

SPECIFICATION OF LNG SHIP

Presented below are the specifications to which any LNG Tanker must conform in order to comply with Section 4.4. In the absence of Buyer's prior approval, any delay in unloading caused by lack of conformance to these specifications will be construed under Section 11.3(b) as being due to "inability of the LNG Tanker's facilities to discharge cargo within the time allowed."

1. The maximum cargo capacity shall not exceed 125,000 m3 by more than three percent.

2. The ship shall be capable of discharging from the port side, as required by the U.S. Coast Guard.

3. The dimensions of the ship shall be compatible with Buyer's facilities as described in Appendix C. Specifically, the forwardmost projection of the bow shall not exceed the berth limit given in Section 1(d) of Appendix C.

4. The ship shall be equipped with a safe and convenient accommodation ladder (stairway type) mounted to provide access from one of the dock platforms described in Section 1(c) of Appendix C.

5. The ship's port side cargo manifold shall consist of two or four liquid connections and no more than two vapor connections. Upon arrival at the berth, the connections provided shall be 12-inch ASA 150-RF, flat-faced flanges; the flanges will be in a clean, un-blinded condition ready to be connected to the marine arms. The forward to aft arrangement of the flanges shall be one of the following (L-liquid; V-vapor):

(a) L,L,V,V,L,L

(b) L,L,V,L,L

For arrangements (a) or (b), the separation distance between the centers of the outermost two liquid flanges shall be no less than 10.3 m (33.8 ft.) and no greater than 15.2 m (49.9 ft.)

The flange faces shall reside in a common plane which is perpendicular to the water surface and parallel to the ship's longitudinal

axis. The flange centers shall reside in a line which is parallel to the water surface. In a transverse section of the ship through the manifold area, the above line is represented by a point; this point shall be located within the reach envelope shown in Figure D-1 under all conditions of draft. In addition, no railing platform, or other part of the ship's structure shall occupy any volume of space through which the arms must pass to reach the flanges.

6. In addition to its full pumping capability, the ship shall be able to discharge LNG in two smaller ranges of flowrate.

(a) 30 to 50 m3/H (for cooldown of the loading arms).

(b) 170 to 230 m3/H (for cooldown of the unloading line to the tanks).

7. The ship shall provide efficient means to drain and purge the loading arms and manifold piping. For this purpose, dry gaseous nitrogen shall be made available and connected at the time that pumping is finished. This nitrogen shall be available at a nominal rate of 100 Kg/H at a gauge pressure of 3 Bar.

8. The ship shall have means for independent control of its cargo tank pressures at all times. Specifically, with the exception of an emergency, the ship shall have no need to send vapor ashore during any portion of its visit.

9. The focal point for communication between the ship and the Buyer's facilities shall be the ship's cargo control room. From the start of unloading until the completion of all drain and purge operations, the ship shall station an officer who speaks in English to be continuously present in the control room. This officer shall be fully competent and duly authorized to conduct all phases of the unloading operation; he shall not leave the control room for any purpose whatsoever unless relieved by an officer who is equivalent in authority, competence, and fluency in English. For the purposes of this requirement, the start of unloading is the completion of connecting the arms or the completion of gauging the cargo tanks, whichever occurs later; any delay after this point caused by absence of the aforementioned officer from the cargo control room shall not count as authorized laytime.

FIGURE D-1:

Diagram of " Reach envelope" in which a ship must be located
for purposes of unloading liquefied natural gas at the
Everett Marine Terminal.

ANNEX E

Demurrage in U.S. Dollars by tanker size.

AMENDMENT NO. 3 TO THE AGREEMENT FOR THE SALE AND PURCHASE OF LIQUEFIED NATURAL GAS OF APRIL 13, 1976

Between:

L'Entreprise Nationale SONATRACH, with registered office at 46 Boulevard Mohamed V, Algiers, Algeria, hereinafter referred to as the "Seller", represented by M. Faid, Directeur, Division Gaz, authorized to execute this Amendment, on the one hand,

and

Distrigas Corporation, a corporation organized and existing in the United States of America, under the laws of the State of Delaware, with its principal office at 2 Oliver Street, Boston, Massachusetts, hereinafter referred to as the "Buyer", represented by its Vice President, R. Gordon Shearer, authorized to execute this Amendment, on the other hand,

WITNESSETH:

Whereas, Seller and Buyer executed an Agreement for the Sale and Purchase of Liquefied Natural Gas on April 13, 1976 (the "Agreement");

Whereas, to reflect significant changes in United States regulatory policy and regulations and United States natural gas markets, to introduce LNG tankers into the trade on an F.o.b. basis, to make LNG available at competitive prices, and to permit Seller to assign its rights, obligations and commitments under the Agreement, as amended, to Sonatrading Amsterdam B.V., a wholly-owned subsidiary of Seller incorporated in The Netherlands with principal office at Kantoorgebouw 'Sloterstyn' 5C, Sloterkade 133, 1058 HM Amsterdam, The Netherlands ("Sonatrading"), Seller and Buyer now propose to make certain modifications to the Agreement and an assignment of the Agreement, as amended, by means of this Amendment No. 3. It is agreed as follows:

I.

Article 2 of the Agreement is deleted, and the second paragraph of Article 3 of the Agreement is amended and restated as follows:

Seller represents that the LNG which is to be sold under the provisions of this agreement will be produced by liquefaction units at Seller's liquefaction plants in Algeria.

II.

Article 4 of the Agreement is amended and restated as follows:

TANKERS; DELIVERY; PASSAGE OF TITLE

Section 4.1. TANKERS. Buyer shall cause the LNG purchased and sold hereunder to be shipped from Algeria in LNG tankers having a Gross Cargo Capacity, as defined in the Transportation Agreement dated the date hereof between Seller as transporter and Buyer as shipper (the "Transportation Agreement"), of between 30,000 and 135,000 cubic meters, for carriage to and delivery at the Terminalling Facility. Such LNG tankers shall have specifications and characteristics compatible with the ports of loading and discharging. Seller shall furnish or cause to be furnished to Buyer, and Buyer shall accept, on and subject to the terms and conditions of the Transportation Agreement, at least one of such LNG tankers in use hereunder at any given time. If a second LNG tanker is, at any given time, required to lift LNG which is to be purchased and sold hereunder, Buyer shall, before entering into any arrangements with any third party for the provision of such additional LNG tanker, offer to Seller first refusal of the right to provide the same on terms and conditions not less favorable to Buyer than would be the terms and conditions of such arrangements. Unless such offer is accepted by Seller and such acceptance communicated to Buyer within 48 hours of such offer being made it shall be deemed to have been rejected by Seller.

Section 4.2. DELIVERY POINT, PASSAGE OF TITLE AND RISK OF LOSS. The delivery point is the point at which the flange coupling of Seller's loading line joins the flange coupling of the LNG loading manifold

on board any LNG Tanker at Arzew or other safe port in Algeria. Title and risk of loss shall pass to Buyer at the delivery point.

Sections 4.3, 4.4 and 4.5 of the Agreement are deleted.

III.

In Article 5, the words "Buyer's dock" are changed to "loading port," the word "negligent" is inserted between "or" and "act," and after the word "services" shall be added the words "and in no case shall Buyer or its affiliates be deemed to be employees, representatives, contractors or suppliers of Seller, and vice versa."

IV.

Article 6 of the Agreement is amended and restated as follows:

QUANTITIES AND DELIVERIES

Section 6.1. ANNUAL QUANTITIES. Subject to the provisions of this Article 6, from 15 September, 1988 Seller shall cause Sonatrading to sell to Buyer and Buyer shall purchase from Sonatrading F.o.b. Algerian port 51 million MMBtu of LNG, corresponding to 17 full cargoes each of approximately 125,000 cubic meters in each Contractual Year and pro rata for any part of a Contractual Year.

Section 6.2. UNDERTAKING OF BUYER AND AFFILIATES. Throughout the term of this agreement, Buyer undertakes that it and any affiliate of Buyer selling LNG purchased by Buyer hereunder or regasified LNG derived therefrom shall diligently seek to obtain from their customers and potential customers commitments (capable of being satisfied by such LNG or regasified LNG) on terms and conditions (including price) which in Buyer's reasonable commercial judgment are the most favorable available to Buyer and its affiliates in the prevailing market and under the prevailing circumstances, for the purchase by such customers and potential customers from Buyer or any such affiliate of Buyer of LNG for delivery in the U.S.A., or of Natural Gas derived from the regasification of LNG and emanating

2 from or delivered at the Tailgate. If and to the extent that Buyer proposes to seek delivery of any quantities of LNG at the Terminalling Facility in excess of the quantities specified in Section 6.3(a) with a view to meeting any such commitments it will, subject to and on the terms hereof and up to the quantities specified in Section 6.1, offer to purchase those quantities of LNG from Sonatrading hereunder at the price computed in accordance with Article 9 hereof. Unless such offer is accepted by Seller and such acceptance communicated to Buyer within 240 hours of such offer being communicated it shall be deemed to have been rejected by Seller.

Section 6.3. Minimum Quantities; Make-up.

(a) Seller shall cause Sonatrading to sell and load hereunder, and Buyer shall buy from Sonatrading, as part of the quantities specified in Section 6.1, minimum quantities of LNG totalling in the aggregate approximately 27 million MMBtu (corresponding to nine full cargoes of an LNG tanker or LNG tankers each of a capacity of approximately 125,000 cubic meters) during each Contractual Year and pro rata for any part of a Contractual Year. Deliveries of such quantities hereunder shall be scheduled by agreement under Section 6.4 hereof. Buyer shall make payment to Sonatrading in respect of each cargo forming part of such quantities at the price computed in accordance with Article 9 hereof; PROVIDED THAT if the Reference Price on the tenth day preceding the date such cargo is scheduled for loading pursuant to Section 6.4 shall be below the prevailing Minimum Price Buyer shall not be obligated under this Section 6.3(a) to buy, and Seller shall not be obligated under this Section 6.3(a) to sell or load such cargo, but Buyer shall instead have the option (exercisable by notice delivered by telex or other prompt means not later than 10 days before such scheduled date) to purchase at the Minimum Price, and to call for delivery of, such cargo as scheduled. To the extent that the shipping schedule involves or would involve loading of any of the nine cargoes constituting minimum quantities after March 15 of such Contractual Year, the price for any cargoes so loaded after that date shall, at either party's request, be a price to be agreed between the parties. Accordingly, Seller and Buyer will attempt in that event to agree to alternative pricing terms. If Seller and Buyer

do not agree to pricing terms for any of such cargoes then both Seller and Buyer shall be excused from any obligation to sell and deliver or receive and pay for the same.

(b) Buyer's obligations in respect of all quantities in excess of the above minimum quantities shall be governed by Section 6.2 hereof. To the extent that the aggregate quantities of LNG purchased by Buyer for delivery in any one Contractual Year shall at the end of such Contractual Year be less than 51 million MMBtu, Buyer shall have the right in respect of the next succeeding Contractual Year(s) during this Agreement to increase the quantity of 51 million MMBtu in Section 6.1 hereof until the total of such increases shall equal the amount by which such quantities are less than 51 million MMBtu. If at the end of the term of this agreement specified in Article 14 any part of such difference shall still not have been shipped hereunder, Buyer shall have the right to extend such term for a period of five (5) years or until such difference shall have been delivered at the delivery point in full, whichever shall first occur, but Section 6.3(a) shall not apply during any such extended term, and in no event shall Seller be obligated to deliver more than 51 million MMBtu of LNG in any one Contractual Year during this Agreement as so extended or otherwise.

Section 6.4. SCHEDULE OF LOADINGS. Seller and Buyer agree that Buyer and Sonatrading shall consult together during a Contractual Year as may be reasonably required, and shall in particular meet each February and August to establish a schedule of projected loadings hereunder month by month for the six-month period commencing the following March 15th and September 15th, respectively.

The nine cargoes constituting minimum quantities pursuant to Section 6.3(a), shall be scheduled for loading, to the extent reasonably practicable, at approximately 20 day intervals beginning September 15.

Such schedule shall be updated from time to time to the extent reasonably practicable.

Ten (10) days prior to the beginning of each calendar month, Seller shall cause Sonatrading to confirm by telex to Buyer the schedule of deliveries for such month.

Seller shall ensure that Buyer shall be promptly notified by telex of any loading of LNG under this agreement and of the departure of such cargo and the estimated time of arrival at the Terminalling Facility.

Section 6.5. PLANT INSPECTIONS AND OVERHAULS. Seller and Buyer shall provide that annual inspections and overhauls of the plants and facilities necessary to carry out the operation contemplated by this agreement shall take place preferably during the summer, or at any such other suitable time of the year selected by mutual agreement as will not entail a decrease in the annual quantity of LNG the delivery of which is provided for by this agreement. Seller and Buyer shall notify each other of schedules of such annual inspections and overhauls ninety (90) days prior to their commencement.

V.

Sections 8.1 and 8.2 of the Agreement are amended and restated as follows:

Section 8.1. GAUGING. The quantities of LNG delivered under this agreement shall be measured in metric units by gauging of the liquid in the ship's tanks immediately prior to and after loading.

The gauging at the delivery point and the calculations relating thereto shall be made by Seller or its designated representative, with Buyer having the right to be present.

Each party shall send or cause to be sent to the other party a certified copy of the gauging standards for each tank of each LNG tanker being furnished by such party, in metric units approved by the Departments of Instruments and Measurements of Algiers - Paris or of the U.S. Bureau of Standards in Washington (D.C.), as well as correction charts (list, trim, tanks' contraction, etc.). Such standards and charts shall be used throughout the

term of this agreement, except in the case of a physical change in the tanks, in which case new standards and charts shall be used. LNG level measuring devices shall be approved by both Seller and Buyer. Each tank shall be equipped with two level-measuring devices of different types.

Section 8.2 DETERMINATION OF DENSITY. The density of the LNG shall be determined by a calculation from the molecular composition determined in accordance with Section 8.4 hereof, for the average temperature defined in Section 8.3 hereof.

The method of calculation shall be the method known as the revised Klosek and McKinley Model, as set forth in NBS Technical Note 1030, published by the U.S. Department of Commerce in December 1980.

In the first sentence of the first paragraph of section 8.4 the words "by Seller" are added after the word "taken", and the word "loading" is substituted for the word "discharging".

In the second sentence of the second paragraph of Section 8.4 the word "Buyer" is substituted for the word "Seller".

In the third paragraph of Section 8.4 the word "Buyer" is substituted for the word "Seller".

In the first sentence of Section 8.5 of the Agreement, the phrase "0[degree]C at a pressure of 760 mm/Hg" is deleted and the following is substituted in its place: "O [Degrees] C at a pressure of 1.01325 BAR."

In Section 8.6 of the Agreement the words "loaded on" are substituted for the words "delivered by", thereafter the word "loaded" is substituted for the word "delivered" in two places, and the words "LNG loaded" are substituted for the words "LNG discharged".

The first two paragraphs of Section 8.7 are amended and restated as follows:

The gauging equipment in the ship's tanks shall be provided, operated and maintained by the Buyer at its expense. The equipment and material utilized for the determination and tests of the quality and density of the product shall be provided, operated and maintained by Seller at its expense.

Any measurement and any calculation relating to the determination of the quality and density of the LNG shall be made by Seller in the presence of a representative of Buyer if Buyer so wishes.

In the second sentence of the first paragraph of Section 8.8 the words "with both parties having the right to be present" are substituted for the words "if the two parties are present".

VI.

Article 9 of the Agreement is amended and restated as follows:

PRICE

Section 9.1 F.O.B. TERMS. For any month during which there shall be completed any loading of any LNG tanker hereunder the price F.o.b. Algerian port in U.S. Dollars per MMBtu of such LNG so loaded shall be the higher of the Reference Price (if any), the Minimum Price, and a price ("P") computed as follows:

(i) If SP for such month is less than $5.00:

$$P = 0.6324 \times SP$$

(ii) If SP for such month is equal to or greater than $5.00:

$$P = (0.6532 \times SP) - 0.0923$$

SP, for any month, shall be the amount obtained by ascertaining

(a) the total number of MMBtus of LNG or regasified LNG derived from LNG purchased hereunder and delivered to customers of Buyer or of any affiliate of Buyer during such month; and

(b) the total proceeds receivable by Buyer or any affiliate of Buyer from such deliveries less any sums paid by Buyer or such affiliate during such month to fiscal authorities in the United States in respect of any import duty, tax or other imposition not levied at the date

of execution of Amendment No. 3 to this agreement but applicable to quantities of LNG imported under this agreement;

and by then dividing the aggregate of the amounts calculated under (b) above by the aggregate of the amounts calculated under (a) above. For any period less than a month, or for any month during which no vapor or liquid is delivered, SP shall be fixed by agreement of Buyer and Seller.

Buyer shall throughout this Agreement diligently seek to maximize the proceeds under (b) above by negotiating or causing to be negotiated with such customers terms and conditions (including price) which in Buyer's reasonable commercial judgment are the most favorable available to Buyer in the prevailing market and in the prevailing circumstances.

VII.

In the first paragraph of Article 10 the words "without prejudice to Section 9.1 hereof" are added after the word "Buyer".

In the second paragraph of Article 10, the words "other states and" shall be deleted and the words "Algeria, and, where the LNG tanker is furnished under the Transportation Agreement," shall be substituted therefor.

VIII.

Article 11 of the Agreement is amended and restated as follows:

PORT FACILITIES; LOADING

Section 11.1. PORT AND LOADING FACILITIES. (a) Port Facilities. Seller shall make available, or cause to be made available, safe port facilities for the loading of LNG purchased hereunder capable of receiving LNG tankers of the following maximum dimensions:

Overall Length..........290.00 meters
Width....................43.70 meters
Draft at full capacity...11.30 meters

Port facilities shall be such as to permit all loading and maneuvers to be carried out in complete safety within a reasonable time.

(b) Berthing and Loading Facilities. Seller shall make available or cause to be made available to Buyer at the port of loading in Algeria berthing and loading facilities including:

(i) mooring equipment;

(ii) lighting sufficient to permit docking maneuvers by day or by night in complete safety, to the extent permitted by the port authorities;

(iii) pipelines to ensure normal stocking of the LNG tanker with bunker fuel;

(iv) loading arms, pipes and other appropriate facilities permitting the loading of LNG at the average rate of ten thousand m3/hour;

(v) a vapor return line from the LNG tanker to shore facilities having a diameter sufficient to maintain appropriate operating pressure in the tanks of the LNG tanker and in the storage reservoirs; and

(vi) a liquid nitrogen loading facility compatible with the LNG tanker.

The facilities described in this Section 11.1(b) shall be provided, operated and maintained at no cost to Buyer.

Section 11.2. Safety. Loading of LNG shall be carried out in strict conformity with all applicable safety and other similar regulations.

Section 11.3. Conditions of Loading. Buyer shall give written notice to Seller of the estimated date and hour of arrival at the port of loading of any LNG tanker providing maritime transportation

hereunder as well as of the estimated quantity of LNG which is to be loaded. Buyer shall send or cause to be sent to Seller the following written notices:

(i) a first designation notice shall be given upon departure from last port of discharge or (if later) at least ninety-six (96) hours prior to the estimated time of arrival, and shall contain an estimated time of arrival;

(ii) a second designation notice shall be given so as to arrive seventy-two (72) hours prior to the estimated time of arrival;

(iii) a third designation notice shall be given so as to arrive twenty-four (24) hours prior to the estimated time of arrival; and

(iv) At the time the LNG tanker arrives at the sea buoy or designated anchorage at the loading port, the Master shall give written notice of such arrival to Seller or its authorized representative at any time of the day or night.

As soon as the LNG tanker is berthed alongside the pier and prepared to load its cargo, the Master of the LNG tanker shall give written notice of ready to receive to Seller or to its representative at any time of the day or night. Notwithstanding the foregoing, where the LNG tanker is furnished under the Transportation Agreement, all notices required to be given under this Section 11.3 shall be the responsibility of Seller. Provided that the bottom temperature of the tanks of the LNG tanker is not higher than minus one hundred and forty-five degrees centigrade, Seller shall then take all appropriate measures within its reasonable control to permit the loading of the LNG tanker as quickly as is safely possible.

Authorized laytime for loading any LNG tanker under this Agreement shall commence at the same time and shall run for the same period as authorized laytime at the loading port under the Transportation Agreement and demurrage shall be computed for the same period at the same rate and shall be payable in the same manner as demurrage at the loading port under the Transportation Agreement.

Section 11.4. Cooldown; Heel and Gas Trials.

(a) Seller shall make available or cause to be made available LNG for gas trials and cooldown for any LNG tanker transporting LNG purchased hereunder which has a bottom temperature in its tanks prior to loading higher than minus one hundred and forty-five degrees centigrade. Payment for the LNG so supplied shall be the responsibility of Buyer, except as provided below. Buyer shall pay to Sonatrading for the LNG so supplied (for which Buyer bears such payment responsibility) the price in U.S. Dollars per MMBtu provided in Article 9 hereof for LNG loaded during the month of such supply.

(b) Upon discharge of any LNG tanker transporting LNG in connection herewith, which is scheduled to load LNG at the loading port within thirty (30) days following completion of such discharge, Buyer shall retain or cause to be retained aboard that LNG tanker (if returning forthwith in ballast to the loading port to load further cargo hereunder) an amount of LNG sufficient to permit such tanker to maintain a temperature no higher than minus one hundred and forty-five degrees centigrade at the bottom of the tanks for a period of at least twenty-four (24) consecutive hours after its arrival at the loading port or, in the case of an LNG tanker provided under Transportation Agreement, after the time (if earlier) when such arrival would have occurred had it proceeded to the loading port with due dispatch. The supply of LNG necessitated by a failure of Buyer so to cause sufficient LNG to be retained aboard shall be the responsibility of and shall be paid for by, Buyer but at the request of Buyer such LNG shall be supplied by Seller. The price to be paid by Buyer to Seller for LNG for which Buyer is obligated to pay Seller under this Section 11.4 shall be the price in U.S. Dollars per MMBtu provided in Article 9 hereof.

(c) If any LNG tanker aboard which LNG has been so retained does not load within such twenty-four (24)-hour period for any cause attributable solely to any matter within the reasonable control of Seller or the owner or operator of any LNG tanker furnishing services under the Transportation Agreement, the cost of additional LNG thereby rendered necessary and utilized for cooldown of such tanker shall be the responsibility of Seller.

(d) The quantities of LNG purchased pursuant to this Section 11.4 by Buyer shall not be included in the quantities covered by Article 6 of this agreement.

IX.

Section 12.1 of the Agreement is hereby amended and restated as follows:

Section 12.1. Invoicing and Payment.

(a) SELLER'S DOCUMENTS; PAYMENTS ON ACCOUNT. Not less than 7 days in advance of each month in the course of which Buyer anticipates that there will be LNG deliveries hereunder, Buyer shall notify Sonatrading by telex of Buyer's best good faith estimate of the price P under Article 9 for that month. Promptly following the completion of each loading of LNG purchased hereunder Seller shall cause Sonatrading to send to Buyer in respect thereof a telex substantially in the form of Annex C hereto. Sonatrading shall at the same time cause to be dispatched to Buyer (a) the data and documents indicating the quantity in MMBtu's of LNG so loaded (including the measurements and calculations under Article 8 hereof); (b) where the LNG is loaded under the Transportation Agreement, a cargo receipt substantially in the form of Annex A to that Agreement in respect of such LNG; and (c) a provisional invoice (which may be sent by telex or telecopier) for the amount calculated pursuant to the final paragraph of this Section 12.1(a). Buyer shall make to Sonatrading a payment on account for such LNG of that amount, by wire transfer to Sonatrading's account in a United States bank specified by Sonatrading, on or before the later of (i) the fifteenth day following the completion of each loading or (ii) the seventh day following the date of receipt by Buyer of the documents under (a), (b) and (c) above (the "Due Date"), PROVIDED that Buyer shall at all times have outstanding a standby, revolving, irrevocable commitment to Sonatrading of a first-class bank in the United States in form and substance reasonably satisfactory to Sonatrading to pay Sonatrading on the Due Date an amount of U.S. dollars equal to each such payment on account together with any interest accrued thereon against presentation of written advice by Sonatrading that

there has been a failure by Buyer to pay the same when required by this agreement to such account by such Due Date. In the event that it shall become unduly onerous for Buyer to have such a bank commitment outstanding, Buyer may so inform Sonatrading by notice. In such event, Buyer shall not be obligated to have such a commitment outstanding in respect of any loadings occurring after the date on which such notice was given and shall make such payment on account for each loading by wire transfer to the aforementioned account not later than the seventh day following the date of receipt by Buyer of the documents under (a), (b) and (c) above.

The amount so payable on account shall be equal to:

(i) the product of (a) the quantity of LNG in MMBtus loaded as specified in the aforementioned cargo receipt or (if not so specified) as determined in accordance with Article 8 hereunder; and (b) the price as estimated by Buyer and notified to Sonatrading in accordance with this Section 12.1(a) for the month in which such loading was completed, plus or minus

(ii) any amount required to be added to or subtracted from the foregoing product under Section 12.1(c).

(b) INVOICES. Within seven days following receipt of the monthly statement furnished by Buyer under Section 12.1(d), Sonatrading shall prepare and send to Buyer an invoice in U.S. Dollars for the aggregate quantity of LNG purchased hereunder the loading of which was completed during the month covered by such monthly statement. The amount invoiced shall be equal to the product of (i) the price per MMBtu under Article 9 for such month as calculated in the monthly statement prepared under Section 12.1(d), and (ii) such aggregate quantity in MMBtus as determined pursuant to Section 12.1(a) for such month less the payments on account received by Sonatrading under Section 12.1(a) with respect to the shipments of LNG covered by such invoice. Any such invoice shall take into account any amount owed by either Sonatrading or Buyer under Section 11.

(c) PAYMENT. In the event that the invoice sent by Sonatrading under Section 12.1(b) shows a net amount owed to Buyer, such amount shall be subtracted from the product referred to in Section 12.1(a)(i) in computing the amount or amounts payable by Buyer under Section 12.1(a) in respect of the shipment or shipments next following the date of receipt by Buyer of such invoice, in such a manner as to amortize as rapidly as possible the amount of such credit. In the event that the invoice shows a net amount owed to Sonatrading, all or any part of such amount remaining unpaid shall be added to the product referred to in Section 12.1(a)(i) in computing the amount payable by Buyer under Section 12.1(a) with respect to the shipment next following the date of receipt by Buyer of such invoice. If the amount shown in any invoice as a net amount owed to Buyer or to Sonatrading has not been paid in full as provided in this Section 12.1(c) within thirty (30) days following the date of receipt by Buyer of such invoice, then the party owing that net amount remaining unpaid shall forthwith pay the same by wire transfer to such account at a United States bank as the other party shall have specified by notice. If and for so long as Buyer shall be in default in respect of any obligation upon Buyer under this Article 12 to make payment for LNG, Sonatrading shall be under no obligation to make any further shipment(s) of LNG to Buyer hereunder. Upon the amount of any payment under this Article 12 which is in default the defaulting party shall pay interest at a rate which shall equal 1 percent per annum over LIBOR from the last date due until the date of payment.

(d) MONTHLY STATEMENTS. No later than the eighteenth day following the end of each month, Buyer shall prepare and deliver to Sonatrading a statement showing the price under Article 9 for such month and including in reasonable detail the basis for the calculation thereof. Such statement shall include in particular the aggregate quantities of deliveries of LNG or regasified LNG derived from LNG purchased hereunder effected in such month, the customers concerned, and the total proceeds receivable from such deliveries to customers.

(e) ACCESS TO BOOKS AND RECORDS. Sonatrading and its representatives shall be entitled from time to time at their expense to inspect Buyer's books and records upon reasonable notice during normal working hours for the purpose of verifying sales and deliveries to customers and computing the amounts payable under this agreement.

X.

Article 13 of the Agreement is amended and restated as follows:

FORCE MAJEURE, ETC.

13.1. DEFINITION. "Force Majeure" means any event or condition, whether affecting Buyer, Seller or any other person, which has prevented or delayed or may reasonably be expected to prevent or delay any party hereto from performing hereunder in whole or in part (including but not limited to performing transportation to, storage at and redelivery from the Terminalling Facility), if such event or condition is beyond the reasonable or prudent control, forecasting or planning, and not the result of willful or negligent action or a lack of reasonable diligence, of whichever party hereto is relying thereon (the "Non-Performing Party") as justification for such nonperformance. The foregoing provisions shall not be construed to require that the Non-Performing Party observe a higher standard of conduct than that required by the usual and customary standards of the industry, as a condition to claiming the existence of Force Majeure. Such events or conditions shall include but shall not be limited to circumstances of the following kind:

(a) (i) an act of God or government, epidemic, landslide, lightning, earthquake, fire, explosion, accident, storm, flood or similar occurrence, an act of the public enemy, war, blockade, insurrection, riot, civil disturbance or similar occurrence, or (ii) a strike, lockout, or similar industrial or labor action;

(b) the failure to obtain, or suspension, termination, adverse modification, interruption or failure of renewal of any permit, license, consent, authorization or approval, including any approval contemplated by Article 18 hereof; and

(c) circumstances preventing Seller, Sonatrading, Buyer or any affiliate of Buyer from supplying LNG or regasified LNG, as the case may be, including serious accidental damage to operations or equipment affecting the Natural Gas production facilities in the field, transportation, treatment, liquefaction, storage, and loading operations in Algeria; transportation by LNG tankers; and unloading, storage, regasification and transportation in the United States.

13.2. EXCUSE OF PERFORMANCE. Each party hereto shall be excused for its failure or delay in performance hereunder to the extent that such failure or delay is caused by Force Majeure. Notwithstanding the foregoing, Buyer shall in any event make payment in accordance with the terms hereof for all LNG delivered hereunder as to which the risk has passed to Buyer.

13.3. NOTICE. As soon as practicable following the occurrence of Force Majeure the party affected thereby shall give notice to the other party by the most rapid means available, describing such Force Majeure and stating such party's best estimate of the duration thereof and the effect thereof on the performance of this agreement and shall keep such other party reasonably advised as to the status of such Force Majeure and the progress of such party's efforts to overcome the same.

13.4. RESUMPTION OF PERFORMANCE. In the event performance hereunder shall be prevented or delayed in whole or in part by Force Majeure, the parties shall take all reasonable and appropriate measures to bring about conditions permitting the resumption

of the normal performance of this agreement as soon as possible. In the event that performance hereunder shall be substantially prevented by Force Majeure for more than 24 consecutive months either party may, without prejudice to all other rights arising out of such circumstances, terminate this agreement by 30 days' written notice to the other.

13.5. REDUCTION OR CESSATION OF DELIVERIES. If in respect of any transaction between Buyer or any affiliate of Buyer, and any customer, for the sale and purchase of regasified LNG, or of LNG, in relation to which Seller is obligated to sell LNG to Buyer hereunder, there shall arise:

(a) a failure or refusal of such customer to take delivery of or to make payment in full for any such regasified LNG or any such LNG;

(b) a bankruptcy or insolvency of any such customer; or

(c) a reasonable likelihood, in Buyer's good faith judgment, that the occurrence of one of the foregoing events is imminent;

Buyer or any such affiliate of Buyer may by reason thereof reduce or stop deliveries to such customer of regasified LNG, or of LNG, and if in consequence, so long as such deliveries shall not be made, Buyer fails to accept or lift all or any of such quantities of LNG hereunder as would have been required to effect such deliveries, Buyer shall have no liability whatsoever to Seller or Sonatrading in respect of such failure exceeding 60% of the amount by which the value of all monies or other consideration recovered from such customer by way of damages or otherwise in respect of any of the matters set forth under (a), (b), or (c) above exceeds the costs (including, without limitation, legal fees and expenses) disbursed by Buyer in effecting such recovery.

XI.

The second sentence of Article 14 of the Agreement is amended and restated as follows:

"Subject to Section 6.4(b), this agreement shall remain in effect for 15 years from 1 October, 1988."

The last sentence of Article 14 of the Agreement is deleted.

XII.

Article 15 is amended and restated as follows:

NOTICES

Each notice, request, demand or other communication hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand to an authorised employee or a duly appointed representative of the addressee party; or when received by such party after being sent by mail; or one day after it has been sent to such party by telex or telecopier (with receipt confirmed), provided a copy is also sent by mail addressed as follows (or to such other address as a party may designate by notice to the other):

(a) If to Distrigas:

Distrigas Corporation,
2 Oliver Street,
Boston, Massachusetts,
U.S.A.
Telecopier: (617) 439-6690
Telex: 671-6307

(b) If to SONATRACH:

Sonatrach,
46, Boulevard Mohamed V,
Algiers,
ALGERIA.
Telex: 67123
67124
67125

(c) If to Sonatrading:

Sonatrading Amsterdam B.V.
Kantoorgebouw "Sloterstyn" No. 5C
Sloterkade 133
1058 HM Amsterdam West,
The Netherlands
Telex: 1074B SKADE (temporary number)

XIII.

In Article 16 of the Agreement, the words "the United Kingdom" are deleted and the word "England" is substituted therefor.

XIV.

The last two paragraphs of Section 18.2 of the Agreement are deleted and the following is substituted therefor:

Seller's and Buyer's obligations hereunder shall be subject to obtaining and maintaining all approvals of authorities required for performance, including any such approvals required to enable Buyer or an affiliate of Buyer to purchase, import, sell or resell LNG the subject of this Agreement or regasified LNG derived therefrom. Seller shall do all in its power to maintain all such approvals of Algerian authorities, and Buyer shall do all in its power to maintain all such approvals of United States authorities. Each party shall notify the other party when it has received any such approval. Each party shall, if requested by the other, help the other party by doing all in its power to obtain and maintain such governmental approvals as may be required from time to time for performance.

Section 18.3 of the Agreement is deleted.

XV.

In the heading of ARTICLE 20, the words "REVISION OF THE CONTRACTUAL SALES PRICE" are changed to "REVISION OF REFERENCE PRICE FORMULA and of THE MINIMUM PRICE."

The first three paragraphs of Article 20 are amended and restated as follows:

The parties may meet to revise the formula contained in the definition of the Reference Price in Appendix A hereto every three (3) years and/or to revise the Minimum Price every five (5) years, during the term of this agreement or any extension thereof.

Any such revision of the Reference Price Formula or of the Minimum Price shall be effected by adaptation of the said formula or of the said Minimum Price in a reasonable and fair manner (having regard, inter alia, to the terms of Article 9), to the economic circumstances then prevailing in the natural gas markets for the East Coast of the United States of America.

Among the factors to be considered in determining the appropriateness of any adaptation shall be Buyer's success in obtaining commitments from time to time during the term of this Agreement (capable of being satisfied by LNG purchased by Buyer hereunder or by regasified LNG derived from LNG purchased by Buyer hereunder), on terms and conditions (including price and date of contract and nature of purchase commitment) which in Buyer's reasonable commercial judgment are the most favorable to Buyer's and Seller's LNG trade in the then prevailing markets and under the then prevailing circumstances.

XVI.

Article 22 of The Agreement is amended and restated as follows:

ARTICLE 22

COUNTERPARTS

This agreement may be executed in any number of counterparts and each of such counterparts shall be deemed an original. All such counterparts shall together constitute a single instrument. The French and English versions of this agreement shall be equally authoritative.

XVII.

Article 23 of the Agreement is deleted.

XVIII.

Appendix A to the Agreement is amended by adding thereto the defined terms set forth in Appendix A hereto. Appendix B to the Agreement is deleted and replaced by Appendix B attached hereto.

Appendix E to the Agreement is deleted.

XIX.

This Amendment shall be effective when all requisite approvals of the competent authorities in Algeria, and the United States of America respectively shall have been obtained. Seller shall use its best efforts to obtain all such approvals from Algerian authorities, and Buyer shall use its best efforts to obtain all such approvals from United States authorities. Each party shall notify the other when it has obtained final such approval from its national authorities. Each party shall, if requested by the other, help that other by doing all in its power to obtain any such approvals as may be required for the performance hereof.

XX.

Pursuant to Article 21 of the Agreement, Seller hereby absolutely and unconditionally assigns and delegates its rights, obligations and commitments under the Agreement, as amended, to Sonatrading. Buyer hereby consents to the assignment by Seller to Sonatrading of Seller's rights, obligations and commitments under the Agreement, as amended, but nothing herein shall release Seller from performance of all Seller's obligations and commitments hereunder.

XXI.

All the provisions of the Agreement, except as expressly amended hereby, shall remain in full force and effect.

Distrigas Corporation	SONATRACH
/s/ R. Gordon Shearer	/s/ M. Field
R. Gordon Shearer	M. Faid
Vice President	Directeur, Division Gaz

Dated: February 21, 1988

Sonatrading Amsterdam B.V. is signing this Amendment to acknowledge (i) that it hereby accepts and assumes all rights, obligations and commitments of Seller under the Agreement, as amended, and (ii) that it agrees all the clauses and conditions of the Agreement, as amended, will be binding upon and inure to the benefit of Sonatrading, its successors and permitted assigns.

Sonatrading Amsterdam B.V.

By /s/

APPENDIX A

"CONTRACTUAL YEAR": The period of time beginning September 15 and ending the following September 14.

"LIBOR": The average rate of interest per annum (rounded up to the nearest one sixteenth of one per cent) offered from time to time by prime banks in the London interbank market for three-month eurodollar deposits in amounts of $1,000,000, as certified by Citibank N.A. (London).

"MINIMUM PRICE": The minimum price of LNG shall be the price per MMBtu FOB Algerian port set out below for the periods indicated:

	U.S.$
September 15, 1988 - September 14, 1989	1.475
September 15, 1989 - September 14, 1990	1.560
September 15, 1990 - September 14, 1991	1.645
September 15, 1991 - thereafter	1.730

"REFERENCE PRICE": The Reference Price for any month during the period beginning on each 15th September during the term of this agreement and ending one year later or when the loading thereafter of nine cargoes comprising minimum quantities pursuant to section 6.3(a) shall have been

effected, whichever shall be earlier, shall result from the application of the following formula on the first day of such month:

Reference Price = (i) If RP for such month is less than $5.00:

Reference Price = .6324 x RP

(ii) If RP for such month is equal to or greater than $5.00:
Reference Price =(.6532 x RP) - .0923

RP = 2.16 x PK + 0.15 x WS + 0.40 x B + 0.15 x CD

where:

PK = the price in U.S. dollars of one gallon of No. 2 distillate oil measured by adding 75% of the arithmetic average of the high and low prices of "No. 2 Oil, Max 0.2% Sulfur, Contract Barges, NY Harbor" for the preceding month, as published by Platt's Oilgram, to 25% of the arithmetic average of the high and low prices of "No. 2 Oil, Spot Cargoes, NY Harbor", for the preceding month, as published by Platt's Oilgram.

WS = the arithmetic average of the commodity charge for gas in U.S. dollars per Dth to be delivered to Massachusetts utilities under the highest three rate schedules chosen from Algonquin W-l, Conteal F-2, National Fuel-3 and Boundary, as reported in the gas cost adjustment filings made by the four gas distribution companies whose projected purchases are the largest at the Massachusetts Department of Public Utilities for the heating season (November through April), and as subsequently adjusted (where relevant) by filings made by the

interstate pipeline suppliers at the Federal Energy Regulatory Commission ("FERC") for the subject heating season.

B = the price in U.S. dollars of No. 6 fuel oil, 0.3% sulfur grade measured on a Btu basis, by dividing by 6.38 the total of 70% of the arithmetic average of the average prices of "No. 6 Fuel Oil, Max 0.3% sulfur, Estimated Contract Cargo Prices" and 30% of the arithmetic average of the average prices of "No. 6 Fuel Oil, Max 0.3% Sulfur, Estimated Spot Cargo Prices" as published by Platt's Oilgram for the preceding month; less the arithmetic average cost of transportation per MMBtu as disclosed in filed tariffs or contracts provided to Seller from time to time which would be transported from the tailgate of the Terminalling Facility to such customer or customers in the Northeastern United States as are capable of substituting natural gas produced from vaporised LNG for No. 6 fuel oil, 0.3% sulfur grade.

CD = the higher of the Tennessee Gas Pipeline Rate CD-6 or Algonquin Gas Pipeline Rate F-1 as reported in the gas cost adjustment filings made by the four gas distribution companies whose projected purchases are the largest at the Massachusetts Department of Public Utilities for the period November through April, and as subsequently adjusted (where relevant) by filings made by Algonquin and Tennessee at FERC for the subject period.

Promptly following the end of such period, there shall be calculated (1) the arithmetic average of the respective Reference Prices for each month of such period during which a cargo shall have been loaded and (2) the weighted average of the respective prices P for each such month. If the arithmetic average Reference Price so calculated shall differ from the weighted average price P so calculated, the aggregate price receivable by Sonatrading for cargoes shipped during such period shall be recalculated by repricing all such cargoes at the higher of such two average prices. Should the aggregate price which shall have been

paid to Sonatrading in respect of such cargoes prior to such recalculation be less than the aggregate price so recalculated, the difference shall forthwith be paid by Buyer to Sonatrading. Should the aggregate price which shall have been paid to Sonatrading in respect of such cargoes prior to such recalculation be more than the aggregate price so recalculated, the difference shall forthwith be paid by Sonatrading to Buyer.

"Tailgate": The tailgate of the Terminalling Facility.

"TERMINALLING FACILITY": The Everett Marine Terminal located at Everett, Massachusetts.

"TRANSPORTATION AGREEMENT": The Transportation Agreement, dated as of the date hereof between Buyer and Seller, as amended from time to time.

APPENDIX B

CHARACTERISTICS OF THE COMPONENTS OF NATURAL GAS

AT NORMAL CONDITIONS 0[degree]C/1.01325 BAR

	Molecular Mass kg:kgmol	Molar Volume NM3/kgmol	Molar GHV kcal/kgmol	Density kg/Nm3	GHV kcal/Nm3 (real gas)	GHV kcal/kg	critical temperature [Degree] K	critical atmospheric pressure
Methane CH4	16.04	22.38	213,280	0.7167	9,530	13,297	190.7	45.80
Ethane C2H6	30.07	22.17	373,786	1.3563	16,860	12,431	305.4	48.20
Propane C3H8	44.09	21.84	531.804	2.0188	24,350	12,062	370.0	42.01
iso-Butane IC4H10	58.12	21.78	687,594	2.6685	31,570	11,831	408.1	36.00
n-Butane nC4H10	58.12	21.50	689,290	2.7033	232,060	11,860	425.2	37.47
iso-Pentane 5IC5H12	72.15	21.03	844,354	3.4308	40,150	11,703	461.0	32.90
n-Pentane nC5H12	72.15	20.86	846,916	3.4588	40,600	11,738	469.8	33.31
Hexane nC6H14	86.20	20.30	1,004,850	4.2463	49,500	11,657	507.9	29.92
Nitrogen N2	28.02	22.40	-	1.2509	-	-	126.4	33.53

ANNEX C

Form of
Loading Report Telex

____________ Corporation,
____________________,
____________,

Telex No:
Answerback:
Attention: Chief Executive Officer

1. Cargo Number: ________________

2. LNG Cargo Composition

Component	Mole Percent
Methane (C1)	____._______
Ethane (C2)	____._______
Propane (C3)	____._______
Iso-Butane (IC 4)	____._______
N-Butane (NC4)	____._______
Iso-Pentane (IC5)	____._______
N-Pentane (NC5)	____._______
Hexanes Plus (C6+)	____._______
Nitrogen (N2)	____._______
Total	____._______

3. Average Cargo Temperature: ____________ C [degrees]

4. Calculated Density (Klosek & McKinley): ____________ kg/m3

5. Real Gross Heating Value: ____________ KCAL/nM3

6. Cooldown Volumes: ____________ m3
Cooldown Volumes: ____________ MMBTU

7. Volume on Board at Initial Gauging: ____________ m3

8. Volume on Board at Final Gauging ____________ m3

9. Quantities Loaded: ____________ m3
Quantities Loaded: ____________ MMBTU

Sonatrading Amsterdam B.V.

By ___________________

EXHIBIT 10(o)(iv)

K N ENERGY, INC. BY-LAW PROVISION

ARTICLE XII

SPECIAL MANAGEMENT PROVISIONS

Section 1. General. The provisions of this Article XII of the By-Laws have been adopted by the Board of Directors of the Corporation pursuant to that certain Agreement of Merger by and between the Corporation, KNE Acquisition Corporation, a Delaware corporation, and American Oil and Gas Corporation, a Delaware corporation dated March , 1994 (the "Merger Agreement"). Capitalized terms used in this Article XII not otherwise defined herein shall have the meaning ascribed to them in the Merger Agreement. The provisions of this Article XII shall be effective from and after the Effective Time notwithstanding any other provisions of these By-Laws to the contrary. In the event of a conflict between the provisions of this Article XII and other provisions of the By-Laws, the provisions of this Article XII shall control.

Section 2. Management Committee. The Corporation shall establish a Management Committee consisting of four (4) members of the Board of Directors. The initial members of the Management Committee shall consist of David M. Carmichael (who shall serve as the Chairman), Charles W. Battey, Edward H. Austin, Jr. and Larry D. Hall. The initial directors serving on the Management Committee shall serve for a term which shall end upon the earlier of (i) the date of such director's resignation, removal or failure to stand for reelection to the Board of Directors, and (ii) the date of the Corporation's annual meeting of stockholders in the year 1996. The duties delegated by the Board of Directors to the Management Committee shall consist of (w) oversight and direction of management decisions with respect to the day-to-day operations of the Corporation and its subsidiaries, (x) oversight and direction of matters relating to the integration and consolidation of the business, operations and assets of the Corporation with those of American Oil and Gas Corporation and its subsidiaries, (y) the duties, powers and procedures heretofore delegated to the Executive Committee in Article VI of these By-laws, and (z) such additional duties as are from time to time delegated to the Management Committee by the Board of Directors. The Corporation shall not have an Executive Committee.

Section 3. Vice-Chairman. The office of Vice-Chairman of the Board shall be established by the Board of Directors. The Vice-Chairman shall perform the duties of the Chairman of the Board as provided in these By-Laws in the Chairman's absence and such additional duties as the Board of Directors may prescribe from time to time.

Section 4. Chief Executive Officer/Chief Operating Officer. The Board of Directors may elect only the Chief Executive Officer or the Chief Operating Officer as President of the Corporation. The Chief Operating Officer shall be elected by the Board of Directors upon recommendation of the Management Committee.

Section 5. Cabot Director. For so long as Cabot Corporation shall continue to own beneficially (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission) 10% or more of the issued and outstanding voting stock of the Corporation, Cabot Corporation shall have the right to designate one person to serve as an advisory director of the Corporation. In the event beneficial ownership of Cabot Corporation of the issued and outstanding voting stock of the Corporation falls below 10% but constitutes more than 5%, the Board of

Directors shall appoint the Cabot Corporation advisory director as a full director, to serve the then remaining term of a Class II director. For so long as Cabot Corporation continues to own beneficially less than 10% but more than 5% of the issued and outstanding voting stock of the Corporation, the Board of Directors shall nominate a Cabot Corporation designee (provided that such nominee is otherwise qualified as required by the Bylaws) for election by the Corporation's shareholders as a director. The Corporation shall at all times during which Cabot Corporation shall beneficially own in excess 10% of the issued and outstanding voting stock of the Corporation, maintain a vacancy on its Board of Directors for such Cabot designee.

Section 6. Terms of Office for Certain Officers. The persons designated as of the Effective Time to hold the offices of Chairman of the Board, Vice Chairman of the Board, President, Chief Executive Officer and Chairman of the Management Committee will be elected to terms commencing as of the Effective Time and terminating on the date of the Corporation's annual meeting of stockholders in 1996. After such date, notwithstanding any other provision of this Article XII to the contrary, such officers shall be elected by majority of the Board of Directors.

Section 7. Vacancies in Certain Offices. Any vacancy arising following the Effective Time and prior to the Corporation's Annual Meeting of Stockholders in 1996, in the offices of the Chairman of the Board, Vice-Chairman of the Board, President, Chief Executive Officer or Chief Operating Officer, or on the Management Committee or the Chairman of the Management Committee, shall be filled by the Board of Directors upon recommendation by a Special Nominating Committee of the Board of Directors. The Board of Directors shall by majority vote establish a Special Nominating Committee in the event of a vacancy in any of the foregoing positions. The Special Nominating Committee shall consist of four directors, two of whom shall be designated by the Board of Directors from the directors of the Corporation who served as a director prior to the Effective Time, and two of whom shall be designated by the directors designated by American Oil and Gas Corporation in the Merger Agreement.

Section 8. Continuation of Retirement Policy. The Corporation shall continue its present retirement policy that officers of the Corporation (including the Chairman of the Board, Vice-Chairman of the Board, President and Chief Executive Officer or Chief Operating Officer) shall be ineligible and cease to serve as an officer of the Corporation as of the first of the month coincident with or next following his or her 65th birthday.

Section 9. Super-Majority Vote. For purposes of this Article XII, the term "Super-Majority Vote" shall mean the affirmative vote of at least 12 of a 14-member Board of Directors; at least 11 of a 13-member Board of Directors; at least 10 of a 12-member Board of Directors; at least 9 of an 11-member Board of Directors; or in all other cases, the affirmative vote of a number of directors equal to at least 85% of the total number of directors. A Super-Majority Vote shall be required for the following actions to be taken by the Board of Directors; (i) amendment, modification or revocation of any provision of this Article XII; (ii) amendment, modification or revocation of the current retirement policy of the Corporation; and (iii) any increase in the number of members to serve on the Board of Directors; provided that, no Super-Majority Vote shall be required for any such action taken by the Board of Directors from and after the date of the annual stockholders meeting for 1997.

Exhibit 10(O)(v)

LeBOEUF, LAMB, GREENE, & MACRAE
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

NEW YORK
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125 WEST 55TH STREET
NEW YORK, NY 10019-5389

(212) 424-8000
FACSIMILE: (212) 424-8500

WRITER'S DIRECT DIAL:

(212) 424-8170

LOS ANGELES
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SALT LAKE CITY
SAN FRANCISCO
--
BRUSSELS
LONDON
MOSCOW

1935 Act/Section 2(a)(7)

June 28, 1994

Mr. William C. Weeden
Securities and Exchange Commission
Office of Public Utility Regulation
Division of Investment Management
450 Fifth Street, N.W.
Washington, DC 20849

Re: Request for No-Action Assurance Regarding the Application of Section 2(a)(7) of the Public Utility Holding Company Act of 1935 with Respect to Cabot Corporation

Dear Mr. Weeden:

We are writing on behalf of Cabot Corporation ("Cabot") to request your assurance that the Division of Investment Management (the "Division" or the "Staff") will not recommend that the Securities and Exchange Commission (the "SEC" or the "Commission") consider Cabot to be a holding company under Section 2(a)(7)(A) of the Public Utility Holding Company Act of 1935 (the "Act") or take any action that would result in Cabot being deemed a holding company under the Act, with respect to Cabot's ownership of shares of K N Energy, Inc. ("KNE") following a proposed merger transaction (the "Merger") between American Oil and Gas Corporation ("AOG") and KNE, provided that Cabot agrees to certain conditions with regard to its share ownership.

I. Factual Background

A. Description of Companies Involved

Cabot Corporation, a Delaware corporation having its principal office in Massachusetts, is primarily engaged in manufacturing specialty chemicals and materials and energy

products. Cabot and its affiliates have manufacturing facilities in the United States and more than 20 other countries. The specialty chemicals and materials businesses manufacture carbon black, fumed silica, various refractory metals, plastics concentrates, and personal safety, environmental enhancement and energy absorbing products. Cabot subsidiaries also import liquefied natural gas ("LNG") to a terminal in Everett, Massachusetts from which it is sold to power producers, local distribution companies and industrial customers in the northeastern U.S. TUCO Inc., a wholly owned subsidiary, purchases coal in Wyoming and has it transported for sale in Texas.

Cabot previously was engaged in the oil and gas business. Several years ago, Cabot made a strategic decision to divest its oil and gas assets (while continuing its separate LNG business), and has engaged in various transactions to do so. The largest parts of Cabot's former oil and gas properties are now owned by Cabot Oil & Gas Corporation, a New York Stock Exchange listed company in which Cabot has no interest, and AOG, to which Cabot disposed of its gas transmission properties in 1989 in exchange for AOG securities and cash.

In 1986, Cabot obtained a special legislative exemption from the 1935 Act in connection with its ownership of a small public gas utility in West Virginia. Cabot was ordered by the West Virginia Public Service Commission to reorganize this gas utility, which mainly supplied gas to Cabot in-state operations but which sold excess capacity to the public and accounted for approximately 1% of Cabot's revenues, as a subsidiary. However, upon reorganization, Cabot would have become a "public utility holding company" under the Act and subject to the diversification restrictions thereunder.(1) In order to avoid this result, Cabot obtained a special exemption from the U.S. Congress that allowed it to retain this particular subsidiary without violating the terms of the 1935 Act.(2) As of this date, Cabot has divested its interest in the West Virginia gas utility that was the subject of the legislative exemption.

For the fiscal year ended September 30, 1993, Cabot had consolidated revenues of $1,618,540,000 and net income applicable to common stock of $7,669,000. The comparable figures for the fiscal year ended September 30, 1992 were $1,562,203,000 and $58,514,000 respectively. Cabot is not presently a "public

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1 132 Cong. Rec. H8673-02 (Sept. 29, 1986).

2 Pub. L. 99-648 (Nov. 10, 1986).

utility company", a "holding company," or an "affiliate" of a "public utility company" as such terms are defined under the Act.

AOG is a Delaware corporation with its principal executive offices in Texas. AOG is engaged in the business of gathering, processing, transporting, storing and marketing natural gas and natural gas liquids. It owns an intrastate pipeline (the Westar pipeline system) in West Texas and the Texas Panhandle as well as gas processing plants and gathering lines complementary to this pipeline. AOG also owns a natural gas storage reservoir in West Texas, a 75 percent interest in an intrastate pipeline system (the Red River pipeline system) in West Texas as well as gathering and transmission systems in South and East Texas. In addition, AOG owns a 55 mile interstate pipeline used for gas deliveries from Oklahoma to the Westar and Red River pipeline systems. For the fiscal year ended December 31, 1993, AOG had consolidated revenues of $539,345,000 and net income applicable to common stock of $6,551,000. The comparative figures for the fiscal year ended December 31, 1992 were $430,098,000 and $14,762,000, respectively.

Cabot is the largest single holder of AOG common stock. There is one other shareholder holding in excess of 5% of AOG common stock, The Prudential Insurance Company of America, which holds 7.8% (including shares issuable upon the exercise of certain options). AOG is not presently a "holding company," or an "affiliate" of a "public utility company" as such terms are defined under the Act. AOG is not itself a "public utility company" because it does not distribute gas at retail.

KNE, a Kansas corporation, is a natural gas services company engaged in gas reserves development, gas gathering, processing, storage, transportation and wholesale and retail sales. KNE operates in seven states with direct retail customers in Colorado, Kansas, Nebraska and Wyoming, which is where KNE's pipeline system is primarily located. For the fiscal year ended December 31, 1993, KNE's total revenues were $493,349,000 while net income available for common stock was $23,465,000. The comparable numbers for the fiscal year ended December 31, 1992 were $391,819,000 and $18,604,000. As a result of its distribution of gas at retail, KNE is a gas utility company as defined in the Act, but it is not a "holding company" or an "affiliate" of any other "public utility company."

Cabot does not have any business relationship with KNE and, following the Merger, no Cabot affiliate will have a formal business relationship with KNE beyond what is disclosed in this letter.

B. Cabot's Interest in AOG

Cabot currently owns approximately 34.5% of the issued and outstanding shares of common stock of AOG (approximately 37.8% in the event of the exercise of certain warrants held by Cabot which expire in 1999). The common stock constitutes all of the outstanding voting stock of AOG.

As stated above, Cabot acquired its interest in AOG in 1989 when it sold its Texas pipeline business to AOG as part of Cabot's long-term strategy to divest its oil and gas businesses. In connection with the 1989 transaction, Cabot and AOG agreed to a liability sharing arrangement primarily covering certain contingent liabilities and potential gas contract losses of the acquired business. Cabot and AOG have agreed to bear an equal amount of such liabilities up to $20 million each; Cabot bears these liabilities above that amount. Cabot has provided AOG with a revolving credit facility (of which approximately $15 million is outstanding) for the funding of cash requirements in resolving such liabilities. Upon settlement with Cabot, AOG will be responsible for the payment to Cabot of one-half of the amount of liabilities.

AOG has asserted certain claims related to environmental matters against Cabot under acquisition agreements related to assets previously owned by Cabot (including assets acquired in the 1989 transaction). KNE and AOG have agreed not to commence any litigation, arbitration or other proceedings against or involving Cabot with respect to such claims, or in connection with settlement of the liability sharing arrangement described above, until such time as either Cabot owns less than ten percent of the voting stock of KNE or Cabot receives an order from the Commission that expressly permits Cabot to take all actions deemed appropriate to resolve such claims without such actions causing Cabot to be treated as a public utility holding company under the Act.

In addition, in connection with the 1989 transaction, Cabot and AOG entered into a Standstill and Registration Rights Agreement (the "Standstill Agreement") which, for the period from 1989 until November 1994 imposes certain restrictions on Cabot, including restrictions on the acquisition by Cabot or its subsidiaries of additional voting securities of AOG and on Cabot's right to vote such securities. Other than the arrangements described above, Cabot conducts no material business with AOG nor does it own any facilities or conduct any operations related to the AOG business. Cabot currently has two nominees on the AOG Board although under the Standstill Agreement, it is

entitled to three such representatives. Cabot also has registration rights associated with the AOG Common Stock it presently owns and any AOG Common Stock received upon the exercise of the AOG warrants that it presently owns. The Standstill Agreement will cease to have effect upon consummation of the Merger.

It should be noted that the Cabot representatives on the AOG board of directors have, naturally, participated in board discussions and votes on various issues in connection with the Merger. In addition, Cabot has been involved in some aspects of the Merger negotiation process especially as it related to the management structure of the combined companies and the issue of Cabot's status under the Act.

C. Proposed Merger Transaction

Pursuant to a Merger Agreement dated March 24, 1994 among KNE, its wholly-owned subsidiary KNE Acquisition Corporation and AOG, AOG would be merged with KNE Acquisition Corporation. As a result of the Merger, AOG would become a wholly- owned subsidiary of KNE, and each issued and outstanding share of AOG common stock would be exchanged for 0.47 shares of newly issued KNE common stock. The Merger Agreement provides for the exchange of outstanding AOG options and warrants for KNE options and warrants on a similar basis. The issued and outstanding shares of KNE would not be affected by the Merger.

At the effective date of the Merger, the KNE Board will be expanded from 10 to 14, and four current AOG directors will be added to the KNE Board. In addition, a Cabot designee will be appointed an advisory director of KNE. Following the Merger, (i) the Chairman of the Board of KNE and the President of KNE will continue in office, (ii) the current President of KNE will also be named Chief Executive Officer, and (iii) the current Chairman of the Board of AOG will become Vice Chairman of the Board of KNE. In addition, there will be a Management Committee consisting of the KNE Chairman, the KNE President and Chief Executive Officer, the KNE Vice Chairman (i.e., the former AOG Chairman, who will chair the Management Committee) and one of the former AOG directors. No officer, director or employee of Cabot will serve as an officer or full director of KNE.

As a result of the Merger, Cabot will own approximately 15.4% of the outstanding voting stock of KNE, and will own warrants which if exercised (and assuming no other options or warrants were exercised by any other parties) would bring Cabot's ownership to approximately 17.3%.

The Merger is subject to the approval of the shareholders of both KNE and AOG, and KNE's issuance of shares in connection with the Merger is also subject, among other approvals, to the approvals of the Colorado Public Utility Commission and the Wyoming Public Service Commission.

II. Conditions on Cabot's Stock Ownership Rights

In order to ensure that, following the Merger, action by the Commission pursuant to the Act with regard to Cabot is not necessary while at the same time ensuring that Cabot can adequately monitor its investment, Cabot will limit its ownership rights in KNE in the following manner if the Division provides the no action assurance requested in this letter:

1. Cabot may from time to time have one (but not more than one) designee (who may be an officer, director or employee of Cabot) serve as an advisory director of KNE. Under the By-laws of KNE, such an advisory director is not permitted to vote on any matter submitted to the Board of Directors of KNE. Such advisory director shall not be the chairperson of the Board of Directors or of any committee thereof.

2. In all matters submitted to the shareholders of KNE for a vote, Cabot (a) may vote in its sole discretion the shares owned by it, up to 9.99% of the number of voting shares outstanding, and (b) shall either not vote any shares owned by it in excess of 9.99% of the number of voting shares outstanding (the "Excess Shares") or shall make arrangements for the Excess Shares to be voted in the same proportions as the other shares (excluding Cabot's other shares) of KNE are voted on such matter. The grant by Cabot of a proxy to the proxies selected by the directors of KNE directing that the Excess Shares be so voted shall be deemed adequate compliance with this provision. Notwithstanding the foregoing, if Cabot opposes any action as to which the dissenting shareholders would be entitled to appraisal rights under applicable law, Cabot shall be free to vote any or all of its shares against the approval of such action or otherwise take any action that may be required to perfect appraisal rights under applicable law.

3. Cabot will not enter into any transaction with KNE or any of its affiliates without the consent of the Staff, except as follows:

(a) Settlement of the existing liability sharing obligations and environmental claims described in this letter;

(b) Exercise of KNE warrants received in exchange for the existing AOG warrants presently held by Cabot;

(c) Reimbursement of expenses incurred in connection with attendance at Board meetings in accordance with KNE's general policies; and

(d) Registration of Cabot's shares in KNE under federal and state securities laws for sale by Cabot.

After it engages in any such transaction, Cabot undertakes to provide the Staff with notice that such transaction occurred, except Cabot will not be obligated to provide notice of the reimbursement of expenses discussed in (c) above.

4. Cabot will not solicit proxies with respect to any voting securities of KNE without the consent of the Staff.

5. Cabot will not acquire any additional shares of common stock or other securities of KNE without the consent of the Staff except acquisitions pursuant to (i) stock dividends or splits that do not result in any material (i.e., greater than 1%) increase in Cabot's ownership percentages of KNE's common stock or (ii) shares acquired upon exercise of KNE warrants received in exchange for the existing AOG warrants presently held by Cabot.

6. Subject to compliance with the Securities Act of 1933, as amended, Cabot will be free to sell its shares of KNE without restriction in all circumstances except that Cabot will give the Commission and Staff at least 10 days advance notice of any proposed sale of its shares of KNE to any Cabot affiliate (as defined in the Act). If the Commission's Staff notifies Cabot within those 10 days that it objects to the sale to an affiliate, the sale will not be consummated until the Commission's Staff has withdrawn its objection.

7. Cabot will not rely on this no-action letter beyond the first anniversary of the date of its issuance. While Cabot currently holds AOG stock for investment purposes and

has no present intention to sell the stock, Cabot does review its investments periodically and may decide to reduce its holdings in KNE in the future. If Cabot reduces its holdings below 10% of the outstanding voting stock of KNE, this no- action letter will no longer be necessary. However, if Cabot decides to hold 10% or more of the voting stock of KNE for more than one year, it will seek an order from the Commission under Section 2(a)(7) of the Act declaring it not to be a holding company and consequently will not rely on this letter beyond the first anniversary of its date of issuance.

8. The foregoing conditions applicable to Cabot will cease at such time as Cabot no longer owns directly or indirectly 10% or more of the voting securities of KNE.

III. Issues Arising Under the Act

Following the Merger, Cabot will own approximately 15.4% of the outstanding voting stock of KNE, or 17.3% assuming the exercise of all KNE warrants issued to Cabot in exchange for its AOG warrants. Although Section 2(a)(7)(A) of the Act creates a presumption that a company controlling 10% or more of the voting securities of a public utility company is a holding company subject to regulation under the Act, there is substantial precedent in both Commission orders and Staff no-action letters indicating that a company that owns 10% or more of the equity of a utility company does not constitute a holding company if it does not hold with the power to vote 10% or more of the utility company's voting securities and does not otherwise exercise such a degree of control over the utility company that a finding of holding company status would be required. The standards for making a determination on the latter point are articulated in Section 2(a)(7)(B) of the Act and will be discussed in more detail below.

Before reaching that question, however, it is appropriate to determine whether Cabot might constitute a holding company for purposes of Section 2(a)(7)(A) of the Act. It is both our and Cabot's opinion that, with the restrictions discussed in section II above, which effectively make the KNE shares owned by Cabot in excess of 9.99% non-voting shares as long as they are owned directly or indirectly by Cabot, Cabot should not be considered a holding company under Section 2(a)(7)(A) of the Act following the Merger. Section 2(a)(7)(A) specifies that "any company which directly or indirectly owns, controls, or holds with power to vote, 10 percentum or more of

the outstanding voting securities of a public utility company..." is presumed to be a holding company. "Voting security" is defined in Section 2(a)(17) of the Act as "any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a company...." The conditions specified in section II above are such that Cabot has effectively transformed what could have been voting securities into non-voting securities.

Although there is no direct precedent on this issue, we believe that the series of no-action letters issued by the Division that culminated in the letter to Commonwealth Atlantic Limited Partnership provide solid precedent for the conclusion that an entity owning a greater than 10% interest in a utility, but with no voting rights with respect to the portion of that interest in excess of 9.99% and limited control over the utility, is not a holding company under Section 2(a)(7)(A) of the Act.(3)

Indeed, the level of control that Cabot will have over KNE following the merger will be negligible compared to the effective level of control by the limited partners of the Commonwealth Atlantic and Sun Peak limited partnerships that was permitted by the Division in these recent no-action letters. In each of those letters, the limited partners were permitted to retain significant veto rights over many of the material decisions that could affect the long-term operations of the partnerships.(4) In this instance, Cabot will have no such veto

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3 See Commonwealth Atlantic Limited Partnership (October 30, 1991) (stating Division would not recommend that Commission consider limited partners owning greater than 10% interest in utility partnership to be holding companies under Section 2(a)(7)(A)). See also, Nevada Sun Peak Limited Partnership (May 14, 1991); Dominion Resources, Incorporated (January 21, 1988); Colstrip Energy Limited Partnership (June 30, 1988).

4 For example, the terms of both the Commonwealth Atlantic and the Nevada Sun-Peak Limited Partnership Agreements required approval of the limited partners before the general partner could, among other things, (i) sell, exchange, lease, transfer, mortgage or pledge 25% or more of the fair market value of partnership assets, (ii) incur any indebtedness outside the ordinary course of business or in excess of $5,000,000, (iii) make any capital expenditure in excess of $2,000,000, (iv) amend

(continued...)

rights and will either not vote the Excess Shares or, under the proportional voting condition, will be unable to vote the Excess Shares at its discretion in the direction or management of the affairs of KNE. Under these conditions, Cabot will not hold voting securities and thus will not become a holding company under Section 2(a)(7)(A).(5)

Our conclusion regarding Cabot's status is also consistent with the orders issued by the Commission under Section 2(a)(7)(B) of the Act which declare that a company owning more than 10% of the outstanding voting securities of a public utility is not a holding company because it does not exercise the type of controlling influence that requires registration under the Act. Section 2(a)(7)(B) specifies that the Commission shall issue an order declaring a company that otherwise might be a holding company not to be a holding company upon determining that such company:

(i) does not, either alone or pursuant to an arrangement or understanding with one or more other persons, directly or indirectly control a public utility or holding company ... by any means or device whatsoever,

(ii) is not an intermediary company through which such control is exercised, and

(iii) does not, directly or indirectly, exercise (either alone or pursuant to an arrangement or understanding with one or more persons) such controlling influence over the management or policies of any public utility or holding company as to make it necessary or appropriate in the public interest or for the

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4(...continued)
any material provision of or terminate certain contracts, (v) admit any additional partner or (vi) agree to settle certain disputes with third parties.

5 See Pinnacle West Capital Corporation (April 23, 1990) ("The two salient features of the definition of a `voting security' are (i) that it provides the owner or holder with a present right to vote; and (ii) that such present right to vote may be exercised in the direction or management of the affairs of a company").

protection of investors or consumers that the applicant be subject to the obligations, duties, and liabilities imposed in this title upon holding companies.

There is no question that Cabot will satisfy clauses (i) and (ii) of the requirements for exemption following the Merger. With only approximately 15.4% ownership of the outstanding voting securities of KNE, Cabot will not be able, directly or indirectly, to control a public utility, nor will it be an intermediary company through which such control is exercised. Thus, the only question to be discussed is whether Cabot, with the conditions placed on its stock ownership that have been described above, would exercise the type of controlling influence described in clause (iii) above.

The term "controlling influence" as used in Section 2(a)(7) as well as Section 2(a)(8) of the Act has been defined as "the act or process, or power of producing an effect which may be without apparent force or direct authority and is effective in checking or directing action or exercising restraint or preventing free action"(6) and Commission orders under Section 2(a)(7)(B) provide guidance as to the types of ownership structures that do not necessitate SEC action pursuant to the Act.

In some instances such orders have been granted without conditions. For example, in IN THE MATTER OF THE LEHIGH COAL AND NAVIGATION COMPANY,(7) the Commission granted a Section 2(a)(7) order to a company that owned 12.8% of a public utility's voting securities. In this case, the Commission did not find it necessary to attach any conditions to the order.

A more recent Commission order granting an exemption under Section 2(a)(7) of the Act is IN THE MATTER OF KANEB PIPE LINE COMPANY.(8) In that case, Kaneb Pipe Line Company ("Kaneb"), acquired 19.48% of the common stock of the Kansas-Nebraska Natural Gas Company, the predecessor in name of KNE. Kaneb openly admitted its intention to force a merger between Kaneb and KNE, although KNE's management had rejected all such offers to

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6 DETROIT EDISON CO. V. S.E.C., 119 F.and 730, 738-39 (6th Cir. 1941).

7 1 SEC 1489 (1936).

8 43 SEC 976 (1968).

date. Kaneb filed an application with the Commission under Section 2(a)(7) of the Act to be declared not a holding company despite the fact that it owned more than 10% of a public utility company's outstanding voting securities. KNE's management objected to Kaneb's filing of the application, arguing that since Kaneb, against their wishes, was actually trying to gain control over KNE, Kaneb was already attempting to exercise a controlling influence and its application was made in bad faith.(9) The Commission, however, noted that wanting to exercise a controlling influence differs from actually being able to do so, and found that "the record shows an absence of the business, financial or personal relationships between the two managements that are often referred to as indicative of a controlling influence, other than stock ownership."(10)

As a result, the Commission granted Kaneb's application and issued the order subject to certain conditions designed to ensure that any controlling influence available to Kaneb did not exceed an acceptable level. These conditions concerned, among other things, prohibiting future service, sale or construction contracts between Kaneb and KNE; requiring that Kaneb file advance notification with the Commission before selling its KNE stock; and prohibiting Kaneb from acquiring additional KNE stock without first giving the Commission fifteen days advance notice and, if notified in those fifteen days that the Commission questioned the sale, not making the purchase until it applied for and received permission to do so from the Commission.

Cases where the Commission has denied applications under Section 2(a)(7) invariably have involved situations with extensive business, personal or financial interests between the holding company and its subsidiaries.(11)

As previously mentioned, the term "controlling influence" can also be found in Section 2(a)(8) which allows the Commission to issue an order declaring a company not to be a subsidiary of a holding company if, among other requirements, the

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9 ID. at 984.

10 ID. at 979.

11 SEE E.G., KOPPERS UNITED CO. V. SEC, 138 F.2d 577 (D.C. Cir. 1943) (denying 2(a)(7) order where subsidiary bought all key raw material from holding company, sold all surplus product to holding company and holding company had board representation).

management of the applicant is not subject to a controlling influence by the holding company. There are a number of cases where the Commission has denied applications under Section 2(a)(8) by finding a controlling influence to exist. In each case, however, the Commission based its finding on evidence that the subsidiary and holding companies had significant business, personal and financial relationships in the past.(12)

We also believe our analysis on this issue is consistent with the holdings in IN THE MATTER OF H.M. BYLLESBY CORPORATION(13), and IN THE MATTER OF CITIES SERVICES COMPANY,(14) both of which held that a company owning or controlling 10% or more of the voting securities of a public utility company could be deemed to be a holding company or a subsidiary company of a holding company even if that company did not have power to actually vote the shares as the result of a voting trust arrangement. In both cases, the Section 2(a)(7) or Section 2(a)(8) orders were denied because the holding companies were found to actually exercise a controlling influence over the public utilities involved through their control over the appointment of the trustees to the voting trust who did vote the shares. Under the voting conditions proposed herein, Cabot will not have such control over the KNE shares it owns in excess of 9.99% and consequently will not hold these shares with the power to vote and will be unable to exercise a controlling influence over KNE.

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12 SEE E.G., IN THE MATTER OF PAUL SMITH'S ELECTRIC LIGHT AND POWER AND RAILROAD COMPANY, 9 SEC 648 (1941) (finding exclusive inter-company service contracts and over 49% share ownership by holding company as evidence of controlling influence); IN THE MATTER OF PACIFIC GAS AND ELECTRIC COMPANY, 10 SEC 39 (1941) (existing inter-company service contracts and election of holding company's officer as president of subsidiary company evidence of controlling influence); PUBLIC SERVICE CORPORATION OF NEW JERSEY V. SEC, 129 F.2d 899 (3rd Cir. 1942) (finding engineering, purchasing and advisory service contracts, board representation and 28.4% stock ownership as evidence of controlling influence by holding company).

13 6 SEC 639 (1940).

14 8 SEC 318 (1940).

IV. Cabot's Status Following the Merger

Following the Merger, Cabot will not hold with the power to vote 10% or more of the voting securities of KNE and will not exercise a controlling influence over KNE and therefore will not be a holding company requiring regulation by the Commission as defined in Section 2(a)(7) of the Act. Following the Merger, the KNE Board will consist of the current 10 KNE directors plus 4 directors drawn from the current AOG Board who are not affiliated with Cabot. While Cabot does not believe it has any controlling influence over the 4 AOG directors, it clearly does not have any such influence over the 10 KNE directors. Similarly, following the Merger both the Chairman of the Board and the President and Chief Executive Officer of KNE will be drawn from the current KNE management, with whom Cabot has no pre-existing relationship. Accordingly, Cabot does not believe that it would be in a position to exercise a controlling influence over KNE even without restrictions on its ability to do so. Nevertheless, in order to eliminate any question with respect to its qualification for exemption, Cabot has proposed, as discussed above, a set of conditions which it is prepared to accept if the Division states that it will recommend that the Commission take no action under Section 2(a)(7) that would result in Cabot being deemed to be a holding company in connection with its ownership of KNE stock.

While its investment is substantial and Cabot does want to monitor its investment as would any substantial shareholder, Cabot has no intention of or interest in asserting control over KNE. In any event, the conditions proposed above would make it impossible for Cabot to do so.

Finally, allowing this Merger to proceed[15] is in the public interest, and the public interest will be protected without Commission action. In this case, no public or investor interest would be harmfully affected by Cabot's stock ownership in KNE.

Cabot's stock ownership of approximately 15.4% of KNE's outstanding voting securities will not have any adverse effect on KNE as a company nor on its ability to provide services to its

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15 Favorable action on this "no-action" request is a condition precedent to the Merger. For obvious reasons, Cabot is not willing to register as a holding company, although it is willing to agree to the restrictions contained herein so that registration will not be required.

gas utility customers. In addition, in view of the restrictions on Cabot's rights as a stockholder see section II above), Cabot's stock ownership will not have a deleterious impact on other investors' rights in KNE.

V. Request

We request your assurance that the Division will not recommend that the Commission consider Cabot to be a holding company or take any action under the Act which would result in Cabot being deemed to be a holding company as a consequence of the Merger, and Cabot's ownership of KNE shares resulting therefrom, as long as Cabot complies with the conditions set forth in section II above. We also request your assurance that should the Division change its view, its Staff will give Cabot not less than 30 days notice, and an opportunity to present Cabot's views, prior to recommending that the Commission consider Cabot to be a holding company under Section 2(a)(7)(A) of the Act or take any action that would result in Cabot being deemed a holding company under the Act, with respect to Cabot's ownership of KNE shares. As provided in section II above, Cabot will not rely on this no-action letter beyond the first anniversary date of its date of issuance.

If you have any questions or require any additional information regarding this request, please contact me at 212- 424-8170.

Very truly yours,

/s/ WILLIAM S. LAMB
William S. Lamb
LeBoeuf, Lamb, Greene & MacRae
125 West 55th Street
New York, NY 10019
212-424-8000

RESPONSE OF THE OFFICE OF
PUBLIC UTILITY REGULATION
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 94-9-OPUR
Cabot Corporation
File No. 132-3

Based on the facts amd representations in your letter of June 28, 1994, we would not recommend any enforcement action to the Commission under the Public Utility Holding Company Act of 1935 ("Act"), including section 2(a) (7), in the event that Cabot Corporation engages in the transactions described.

Because this position is based on the facts and representations in your letter, you should note that any different facts or conditions might require a different conclusion. Further, this repsonse expresses only the Division's position on enforcement action. It does not purport to express any legal conclusion on the questions presented.

Brian P. Spires
Staff Attorney

July 6, 1994

Exhibit 10(O)(vi)

As filed with the Securities and Exchange Commission
July 13, 1994

File No. -

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

APPLICATION FOR DECLARATION
OF NON-HOLDING COMPANY STATUS
PURSUANT TO SECTION 2(a)(7)
OF THE PUBLIC UTILITY HOLDING
COMPANY ACT OF 1935

Cabot Corporation
75 State Street
Boston, MA 02109

(name of company filing this statement and
address of principal executive offices)

Robert Rothberg
Vice-President and General Counsel
Cabot Corporation
75 State Street
Boston, MA 02109

(name and address of agent for service)

The Commission is requested to mail copies of
all orders, notices and communications to:

William S. Lamb, Esq.
LeBoeuf, Lamb, Greene & MacRae
125 West 55th Street
New York, NY 10019

P. Dexter Peacock, Esq.
Andrews & Kurth L.L.P.
4200 Texas Commerce Tower
Houston, TX 77002

C. Michael Harrington, Esq.
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin
Houston, TX 77002

David M. Carmichael
American Oil and Gas Corporation
333 Clay Street
Suite 2000
Houston, TX 77002

William S. Garner
K N Energy, Inc.
370 Van Gordon Street
Lakewood, CO 80228

Cabot Corporation ("Cabot" or the "Company") hereby applies to the Securities and Exchange Commission (the "Commission") for an order declaring that Cabot will not become a public utility holding company as defined under Section 2(a)(7) of the Public Utility Holding Company Act of 1935 (the "Act") in connection with its ownership of shares of K N Energy, Inc. ("KNE") following a proposed merger transaction (the "Merger") between American Oil and Gas Corporation ("AOG") and KNE, provided that Cabot agrees to certain conditions with regard to its share ownership. The Merger is expected to be consummated on July 13, 1994 or within a few days thereafter. In support of such application, Cabot states as follows:

I. Background

A. Description of Companies Involved

Cabot Corporation, a Delaware corporation having its principal office in Massachusetts, is primarily engaged in manufacturing specialty chemicals and materials and energy products. Cabot and its affiliates have manufacturing facilities in the United States and more than 20 other countries. The specialty chemicals and materials businesses manufacture carbon black, fumed silica, various refractory metals, plastic concentrates and personal safety, environmental enhancement and energy absorbing products. Cabot subsidiaries also import liquefied natural gas ("LNG") to a terminal in Everett, Massachusetts from which it is sold to power producers, local distribution companies and industrial customers in the north-

eastern U.S. TUCO Inc., a wholly owned subsidiary, purchases coal in Wyoming and has it transported for sale in Texas.

Cabot previously was engaged in the oil and gas business. Several years ago, Cabot made a strategic decision to divest its oil and gas assets (while continuing its separate LNG business), and has engaged in various transactions to do so. The largest parts of Cabot's former oil and gas properties are now owned by Cabot Oil & Gas Corporation, a New York Stock Exchange listed company in which Cabot has no interest, and AOG, to which Cabot disposed of its gas transmission properties in 1989 in exchange for AOG securities and cash.

In 1986, Cabot obtained a special legislative exemption from the 1935 Act in connection with its ownership of a small public gas utility in West Virginia. Cabot was ordered by the West Virginia Public Service Commission to reorganize this gas utility, which mainly supplied gas to Cabot's in-state operations but which sold excess capacity to the public and accounted for approximately 1% of Cabot's revenues, as a subsidiary. However, upon reorganization, Cabot would have become a "public utility holding company" under the Act and subject to the diversification restrictions thereunder.(1) In order to avoid this result, Cabot obtained a special exemption from the U.S. Congress that allowed it to retain this particular subsidiary without violating the terms of the 1935 Act.(2) As of this date, Cabot has divested its

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1 132 Cong. Rec. H8673-02 (Sept. 29, 1986).

2 Pub. L. 99-648 (Nov. 10, 1986).

interest in the West Virginia gas utility that was the subject of the legislative exemption.

For the fiscal year ended September 30, 1993, Cabot had consolidated revenues of $1,618,540,000 and net income applicable to common stock of $7,669,000. The comparable figures for the fiscal year ended September 30, 1992 were $1,562,203,000 and $58,514,000 respectively. Cabot is not presently a "public utility company", a "holding company," or an "affiliate" of a "public utility company" as such terms are defined under the Act.

AOG is a Delaware corporation with its principal executive offices in Texas. AOG is engaged in the business of gathering, processing, transporting, storing and marketing natural gas and natural gas liquids. It owns an intrastate pipeline (the Westar pipeline system) in West Texas and the Texas Panhandle as well as gas processing plants and gathering lines complementary to this pipeline. AOG also owns a natural gas storage reservoir in West Texas, a 75 percent interest in an intrastate pipeline system (the Red River pipeline system) in West Texas as well as gathering and transmission systems in South and East Texas. In addition, AOG owns 55 miles of pipeline used for gas deliveries from Oklahoma to the Westar and Red River pipeline systems. For the fiscal year ended December 31, 1993, AOG had consolidated revenues of $539,345,000 and net income applicable to common stock of $6,551,000. The comparative figures for the fiscal year ended December 31, 1992 were $430,098,000 and $14,762,000, respectively.

Cabot is the largest single holder of AOG common stock. There is one other shareholder holding in excess of 5% of AOG common stock. The Prudential Insurance Company of America, which holds 7.8% (including shares issuable upon the exercise of certain warrants). AOG is not presently a "holding company," or an "affiliate" of a "public utility company" as such terms are defined under the Act. AOG is not itself a "public utility" because it does not distribute gas at retail.

KNE, a Kansas corporation, is a natural gas services company engaged in gas reserves development, gas gathering, processing, storage, transportation and wholesale and retail sales. KNE operates in seven states with direct retail customers in Colorado, Kansas, Nebraska and Wyoming, which is where KNE's pipeline system is located. For the fiscal year ended December 31, 1993, KNE's total revenues were $493,349,000 while net income available for common stock was $23,465,000. The comparable numbers for the fiscal year ended December 31, 1992 were $391,819,000 and $18,604,000. As a result of its distribution of gas at retail, KNE is a gas utility company as defined in the Act, but is not a "holding company" or an "affiliate" of any other "public utility company."

Cabot does not have any business relationship with KNE and following the Merger no Cabot affiliate will have a formal business relationship with KNE beyond what is disclosed in this Application.

B. Cabot's Interest in AOG

Cabot currently owns approximately 34.5% of the issued and outstanding shares of common stock of AOG (approximately 37.7% in the event of the exercise of certain warrants held by Cabot which expire in 1999). Common stock is the only class of outstanding voting stock of AOG.

As stated above, Cabot acquired its interest in AOG in 1989 when it sold its Texas pipeline business to AOG as part of Cabot's long-term strategy to divest its oil and gas businesses. In connection with the 1989 transaction, Cabot and AOG agreed to a liability sharing arrangement primarily covering certain contingent liabilities and potential gas contract losses of the acquired business. Cabot and AOG have agreed to bear an equal amount of such liabilities up to $20 million each; Cabot bears these liabilities above that amount. Cabot has provided AOG with a revolving credit facility (approximately $15 million outstanding) for the funding of cash requirements in resolving such liabilities. Upon settlement with Cabot, AOG will be responsible for the payment to Cabot of one-half of the amount of liabilities.

AOG has asserted certain claims related to environmental matters against Cabot under acquisition agreements related to assets previously owned by Cabot (including assets acquired in the 1989 transaction). KNE and AOG have agreed not to commence any litigation, arbitration or other proceedings against or involving Cabot with respect to such claims, or in connection with settlement of the liability sharing arrangement

described above, until such time as either Cabot owns less than ten percent of the voting stock of KNE or Cabot receives an order from the Commission that expressly permits Cabot to take all actions deemed appropriate to resolve such claims without such actions causing Cabot to be treated as a public utility holding company under the Act.

In addition, in connection with the 1989 transaction, Cabot and AOG entered into a Standstill and Registration Rights Agreement (the "Standstill Agreement") which, for a period from 1989 until November 1994 imposes certain restrictions on the acquisition by Cabot or its subsidiaries of additional voting securities of AOG and on Cabot's right to vote such securities. Other than the arrangements described above, Cabot conducts no material business with AOG nor does it own any facilities or conduct any operations related to the AOG business.

Cabot currently has two nominees on the AOG Board, although under the Standstill Agreement it is entitled to three such representatives. Cabot also has registration rights associated with the AOG Common Stock it presently owns and any AOG Common Stock received upon the exercise of the AOG warrants that it presently owns. Other than the registration rights and related indemnification provisions, the Standstill Agreement will cease to have effect upon consummation of the Merger.

It should be noted that the Cabot representatives on the AOG board of directors have, naturally, participated in board discussions and votes on various issues in connection with the Merger. In addition, Cabot has been involved in some aspects of

the Merger negotiation process especially as it related to the management structure of the combined companies and the issue of Cabot's status under the Act.

C. Proposed Merger Transaction

Pursuant to a Merger Agreement dated March 24, 1994 among KNE, its wholly-owned subsidiary KNE Acquisition Corporation and AOG, AOG would be merged with KNE Acquisition Corporation. As a result of the Merger, AOG would become a wholly- owned subsidiary of KNE, and each issued and outstanding share of AOG common stock would be exchanged for 0.47 shares of newly issued KNE common stock. The Merger Agreement provides for the exchange of outstanding AOG options and warrants for KNE options and warrants on a similar basis. The issued and outstanding shares of KNE would not be affected by the Merger. The Merger is expected to be consummated on July 13, 1994 or within a few days thereafter.

As of the effective date of the Merger, the KNE Board will be expanded from 10 to 14, and four current AOG directors will be added to the KNE Board. In addition, a Cabot designee will be appointed an advisory director of KNE. Following the Merger, (i) the Chairman of the Board of KNE and the President of KNE will continue in office, (ii) the current President of KNE will also be named Chief Executive Officer, and (iii) the current Chairman of the Board of AOG will become Vice Chairman of the Board of KNE. In addition, there will be a Management Committee consisting of the KNE Chairman, the KNE President and Chief Executive Officer, the KNE Vice Chairman (i.e., the former AOG

Chairman, who will chair the Management Committee) and one of the former AOG directors. No officer, director or employee of Cabot will serve as an officer or full director of KNE.

As a result of the Merger, Cabot will own approximately 15.2% of the outstanding voting stock of KNE, and will own warrants which if exercised (and assuming no other options or warrants were exercised by any other parties) would bring Cabot's ownership to approximately 17.2%.

The Merger is subject to the approval of the shareholders of both KNE and AOG expected to be received on July, 13, 1994, and KNE's issuance of shares in connection with the Merger is also subject, among other approvals, to the approvals of the Colorado Public Utility Commission and the Wyoming Public Service Commission, both of which have been obtained.

II. Conditions on Cabot's Stock Ownership Rights

In order to ensure that, following the Merger, Cabot does not exercise a controlling influence over KNE while at the same time ensuring that Cabot can adequately monitor its investment, Cabot proposes that the Section 2(a)(7) order being applied for hereunder be issued subject to the following conditions:

1. Cabot may from time to time have one (but not more than one) designee (who may be an officer, director or employee of Cabot) serve as an advisory director of KNE. Such an advisory director shall not be permitted to vote on any matter submitted to the Board of Directors of KNE. Such

advisory director shall not be the chairperson of the Board of Directors or of any committee thereof.

2. In all matters submitted to the shareholders of KNE for a vote, Cabot (a) may vote in its sole discretion the shares owned by it, up to 9.99% of the number of voting shares outstanding, and (b) shall either not vote any shares owned by it in excess of 9.99% of the number of voting shares outstanding (the "Excess Shares") or shall make arrangements for the Excess Shares to be voted in the same proportions as the other shares (excluding Cabot's other shares) of KNE are voted on such matter. The grant by Cabot of a proxy to the proxies selected by the directors of KNE directing that the Excess Shares be so voted shall be deemed adequate compliance with this provision. Notwithstanding the foregoing, if Cabot opposes any action as to which the dissenting shareholders would be entitled to appraisal rights under applicable law, Cabot shall be free to vote any or all of its shares against the approval of such action or otherwise take any action that may be required to perfect appraisal rights under applicable law.

3. Cabot will not enter into any transaction with KNE or any of its affiliates without the consent of the Staff, except as follows:

(a) Settlement of the existing liability sharing obligations and environmental claims described in this letter;

(b) Exercise of KNE warrants received in exchange for the existing AOG warrants presently held by Cabot;

(c) Reimbursement of expenses incurred in connection with attendance at Board meetings in accordance with KNE's general policies; and

(d) Registration of Cabot's shares in KNE under federal and state securities laws for sale by Cabot.

After it engages in any such transaction, Cabot shall provide the Staff with notice that such transaction occurred, except Cabot will not be obligated to provide notice of the reimbursement of expenses discussed in (c) above. Notwithstanding the foregoing, without notice to or consent of the Staff, Cabot and Cabot's subsidiaries may take any and all actions Cabot deems appropriate to resolve any claims that Cabot or Cabot's subsidiaries may have against KNE or KNE's subsidiaries (including without limitation AOG after the Merger), or which may be asserted by KNE or KNE's subsidiaries against Cabot or Cabot's subsidiaries, including without limitation meetings and discussions with KNE, AOG and their respective officers, directors or other representatives, initiating or defending litigation or arbitration, participating in mediation efforts, or otherwise.

4. Cabot will not solicit proxies with respect to any voting securities of KNE without the consent of the Staff.

5. Cabot will not acquire any additional shares of common stock or other securities of KNE without the consent of the Staff except acquisitions pursuant to (i) stock dividends or splits that do not result in any material (i.e., greater than 1%) increase in Cabot's ownership percentages of KNE's common stock or (ii) shares acquired upon exercise of KNE warrants received in exchange for the existing AOG warrants presently held by Cabot.

6. Subject to compliance with the Securities Act of 1933, as amended, Cabot will be free to sell its shares of KNE without restriction in all circumstances except that Cabot will give the Commission and Staff at least 10 days advance notice of any proposed sale of its shares of KNE to any Cabot affiliate (as defined in the Act). If the Commission's Staff notifies Cabot within those 10 days that it objects to the sale to an affiliate, the sale will not be consummated until the Commission's Staff has withdrawn its objection.

7. The foregoing conditions will not apply at such time or times as Cabot does not own directly or indirectly 10% or more of the voting securities of KNE.

8. Cabot will receive reasonable notice, and an opportunity to be heard, prior to any modification of the foregoing conditions or withdrawal of the Commission's order exempting Cabot under Section 2(a)(7)(B) of the Act.

III. Discussion

A. The Relevant Legal Standard for a 2(a)(7) Order

Following the Merger, Cabot will own approximately 15.2% of the outstanding voting stock of KNE, or 17.2% assuming the exercise of all KNE warrants issued to Cabot in exchange for its AOG warrants. Although clause A of Section 2(a)(7) creates a presumption that a company controlling 10% or more of the voting securities of a public utility company is a holding company, under clause B of Section 2(a)(7) of the Act, the Commission is authorized to declare, by order upon application that such a company is not a holding company if it:

(i) does not, either alone or pursuant to an arrangement or understanding with one or more other persons, directly or indirectly control a public utility or holding company ... by any means or device whatsoever,

(ii) is not an intermediary company through which such control is exercised, and

(iii) does not, directly or indirectly, exercise (either alone or pursuant to an arrangement or understanding with one or more persons) such controlling influence over the management or policies of any public utility or holding company as to make it necessary or appropriate in the public interest or for the protection of investors or consumers that the applicant be subject to the obligations, duties, and liabilities imposed in this title upon holding companies.

This section of the Act also authorizes the Commission to grant an order of exemption under Section 2(a)(7) that contains conditions requiring the applicant to "refrain from doing such acts or things, in respect of exercise of voting rights, control over proxies, designation of officers and

directors, existence of interlocking officers, directors and other relationships, and submission of periodic or special reports ..., as the Commission may find necessary or appropriate."

There is no question that Cabot satisfies clauses (i) and (ii) of these requirements for exemption. With only approximately 15.2% ownership of the outstanding voting securities of KNE, Cabot will not be able directly or indirectly to control a public utility, nor will it be an intermediary company through which such control is exercised. Thus, the only question to be discussed is whether Cabot exercises the type of controlling influence described in clause (iii) above.

The term "controlling influence" as used in this Section as well as Section 2(a)(8) of the Act has been defined as "the act or process, or power of producing an effect which may be without apparent force or direct authority and is effective in checking or directing action or exercising restraint or preventing free action." DETROIT EDISON CO. V. S.E.C., 119 F.2d 730, 738-39 (6th Cir. 1941).

The Commission has previously granted many orders pursuant to Section 2(a)(7) of the Act declaring that a company owning more than 10% of the outstanding voting securities of a public utility is not a holding company because it did not exercise the type of controlling influence that required registration under the Act.

In some instances such orders have been granted without conditions. For example, in IN THE MATTER OF THE LEHIGH COAL AND

NAVIGATION COMPANY, 1 SEC 1489 (1936), the Commission granted a Section 2(a)(7) order to a company that owned 12.8% of a public utility's voting securities. In this case, the Commission did not find it necessary to attach any conditions to the order.

A more recent Commission order granting an exemption under Section 2(a)(7) of the Act is IN THE MATTER OF KANEB PIPE LINE COMPANY, 43 SEC 976 (1968). In that case, Kaneb Pipe Line Company ("Kaneb") acquired 19.48% of the common stock of Kansas-Nebraska Natural Gas Company, the predecessor in name of KNE. Kaneb openly admitted its intention to force a merger between Kaneb and KNE, although KNE's management had rejected all such offers to date. Kaneb filed an application with the Commission under Section 2(a)(7) of the Act to be declared not a holding company despite the fact that it owned more than 10% of a utility company's outstanding voting securities. KNE's management objected to Kaneb's filing of the application, arguing that since Kaneb, against their wishes, was actually trying to gain control over KNE already it therefore was clearly attempting to exercise a controlling influence so the application was made in bad faith. Id. at 984. The Commission, however, noted that wanting to exercise a controlling influence differs from actually being able to do so, and found that "the record shows an absence of the business, financial or personal relationships between the two managements that are often referred to as indicative of a controlling influence, other than stock ownership. Id. at 979.

As a result, the Commission granted Kaneb's application and issued the order but made it subject to a number of detailed

conditions which were apparently negotiated in advance, to ensure that any controlling influence available to Kaneb did not exceed an acceptable level. These conditions concerned, among other things, prohibiting future service, sale or construction contracts between Kaneb and KNE; requiring that Kaneb file advance notification with the Commission before selling its KNE stock; and prohibiting Kaneb from acquiring additional KNE stock without first giving the Commission fifteen days advance notice and, if notified in those fifteen days that the Commission questioned the sale, not making the purchase until it applied for and received permission to do so from the Commission.

Cases where the Commission has denied applications under Section 2(a)(7) invariably have involved situations with extensive business, personal or financial interests between the holding company and its subsidiaries. SEE E.G., KOPPERS UNITED CO. V. SEC, 138 F.2d 577 (D.C. Cir. 1943) (denying 2(a)(7) order where subsidiary bought all key raw material from holding company, sold all surplus product to holding company and holding company had board representation).

As previously mentioned, the term "controlling influence" can also be found in Section 2(a)(8) which allows the Commission to issue an order declaring a company not to be a subsidiary of a holding company if, among other requirements, the management of the applicant is not subject to a controlling influence by the holding company. There are a number of cases where the Commission has denied applications under Section 2(a)(8) by finding a controlling influence to exist. In

each case, however, the Commission based its finding on evidence that the subsidiary and holding companies had significant business, personal and financial relationships in the past. SEE E.G., IN THE MATTER OF PAUL SMITH'S ELECTRIC LIGHT AND POWER AND RAILROAD COMPANY, 9 SEC 648 (1941) (finding exclusive inter-company service contracts and over 49% share ownership by holding company as evidence of controlling influence); IN THE MATTER OF PACIFIC GAS AND ELECTRIC COMPANY, 10 SEC 39 (1941) (existing inter-company service contracts and election of holding company's officer as president of subsidiary company evidence of controlling influence); PUBLIC SERVICE CORPORATION OF NEW JERSEY V. SEC, 129 F.2d 899 (3rd Cir. 1942) (finding engineering, purchasing and advisory service contracts, board representation and 28.4% stock ownership as evidence of controlling influence by holding company). Since there is no history of such contacts between Cabot and KNE, and Cabot has agreed to limit its rights as a shareholder to ensure that no such influence shall develop in the future, Cabot meets the requirements of Section 2(a)(7)(B) and an order pursuant to this Section of the Act is appropriate.

Indeed, strong arguments can be made that, with the restrictions discussed in section II above, which effectively make the KNE shares owned by Cabot in excess of 9.99% non-voting shares as long as they are owned directly or indirectly by Cabot, Cabot should not be considered a holding company under Section 2(a)(7)(A) of the Act following the Merger even without application of the Section 2(a)(7)(B) test. Section 2(a)(7)(A) specifies that "any company which directly or indirectly owns,

controls, or holds with power to vote, 10 percentum or more of the outstanding voting securities of a public utility company..." is presumed to be a holding company. "Voting security" is defined in Section 2(a)(17) of the Act as "any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a company...." The conditions specified in section II above are such that Cabot has effectively transformed what could have been voting securities into non-voting securities.

Under these conditions, Cabot will not hold voting securities in excess of 9.99% and thus will not become a holding company under Section 2(a)(7)(A). However, the Commission need not address this point if it agrees that the arrangements are sufficient to preclude a controlling influence by Cabot.

B. Cabot Will Not Exercise a Controlling Influence over KNE

Following the Merger, the KNE Board will consist of the current 10 KNE directors plus 4 directors drawn from the current AOG Board who are not affiliated with Cabot. While Cabot does not believe it has any controlling influence over the 4 AOG directors, it clearly does not have any such influence over the 10 KNE directors. Similarly, following the Merger both the Chairman of the Board and the President and Chief Executive Officer of KNE will be drawn from the current KNE management, with whom Cabot has no pre-existing relationship. Under the circumstances, Cabot will not be in a position to exercise a controlling influence over KNE even without restrictions on its

ability to do so. Nevertheless, in order to eliminate any question with respect to its qualification for exemption, the applicant has proposed, in section II above, a set of conditions which it is prepared to accept and have embodied in a Commission order under Section 2(a)(7) of the Act.

While its investment is substantial and Cabot does want to monitor its investment as would any substantial shareholder, Cabot has no intention of or interest in asserting control over KNE. In any event, the conditions proposed above would make it impossible for Cabot to do so.

C. Granting this Application is in the Public Interest

Section 2(a)(7) provides that an application will be denied because of a "controlling influence" only where it is necessary or appropriate to protect the public interest or investors. In this case, no public or investor interest would be harmfully affected by Cabot's stock ownership in KNE.

Cabot's stock ownership of 15.2% of KNE's outstanding stock will not have any adverse effect on KNE as a company nor on its ability to provide services to its gas utility customers. In addition, in view of the restrictions on Cabot's rights as a shareholder that will be included in the Commission's order (see section II above), Cabot's stock ownership will not have a deleterious impact on other investors' rights in KNE.

IV. Exhibits

A. Form of Notice

B. Original Acquisition Agreement

C. Standstill Agreement

D. Annual Report of Cabot

E. Annual Report of AOG

F. Annual Report of KNE

G. Merger Agreement

V. Signature

The Company has caused this Application to be duly signed on its behalf by its authorized officer in the city of Boston, the State of Massachusetts, on this 11th day of July, 1994.

CABOT CORPORATION

By /s/ Samuel W. Bodman

Name: Samuel W. Bodman
Title: Chairman and President

EXHIBIT 11

CABOT CORPORATION

Earnings per Common Share for the Year Ended September 30, 1994

Statement Re Computation of Per Share Earnings
(In thousands, except per share amounts)

	Primary (a)	Fully Diluted (a)
Shares of common stock outstanding at October 1, 1993, less treasury stock	37,453	37,453
Plus net weighted shares of treasury stock issued	185	185
Plus common stock equivalents:		
Effect of convertible preferred stock conversion	--	3,098
Effect of equity incentive stock awards	611	626
Weighted average shares outstanding	38,249	41,362
Income applicable to common shares	$75,108	$75,108
Dividends on preferred stock	--	3,583
Preferred stock conversion compensation shortfall	--	(2,417)
Earnings applicable to common shares	$75,108	$76,274
Earnings per common share	$1.96	1.84

(a) All common stock and equivalents reflect, as of the beginning of the fiscal year, the two-for-one stock split authorized on July 27, 1994.

EXHIBIT 12

CABOT CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statement Re Computation of Ratio of Earnings to Fixed Charges
(Dollar amounts in thousands)

	Years ended September 30				
	1994	1993	1992	1991	1990
Earnings:					
Pre-tax income from continuing operations	$118,325	$ 67,900	$116,599	$ 62,362	$ 63,983
Distributed income of affiliated companies	5,638	5,988	5,766	4,688	3,607
Add fixed charges:					
Interest on indebtedness	41,668	44,043	41,714	38,661	41,145
Portion of rents representative of the interest factor	5,879	4,838	4,933	5,715	5,226
Income as adjusted	$171,510	$122,769	$169,012	$111,426	$113,961
Fixed Charges:					
Interest on indebtedness	$ 41,668	$ 44,043	$ 41,714	$ 38,661	$ 41,145
Capitalized interest	--	--	3,963	8,745	--
Portion of rents representative of the interest factor	5,879	4,838	4,933	5,715	5,226
Total fixed charges	$ 47,547	$ 48,881	$ 50,610	$ 53,121	$ 46,371
Ratio of earnings to fixed charges	3.61	2.51	3.34	2.10	2.46

EXHIBIT 13

MANAGEMENT'S DISCUSSION AND ANALYSIS of Results of Operations and Financial Condition

In 1994 Cabot's strong global position enabled it to take advantage of recovering economies in several areas of the world. In addition, the Company continued its strategic emphasis on more differentiated business sectors and on cost management. As a result, Cabot reported record earnings from continuing operations of $78.7 million ($1.96 per common share). The Company benefitted from the beginning of economic recovery in Europe, continued economic growth in North America, and robust growth in South America. Cabot's ability to capitalize on these positive trends was reflected in strong growth in the Company's sales, particularly in the Specialty Chemicals and Materials Group, where sales were up 14% in the fourth quarter of 1994 compared to 1993. Volume growth was the main contributor to the 11% increase in operating profit in fiscal 1994 versus fiscal 1993 before restructuring charges.

Cabot's sales were enhanced by the early results of the Company's strategy to differentiate its products, as sales of such products, including several new products, increased in 1994. Sales growth was generally stronger in the Company's more specialized, higher margin sectors. Cabot's operating profit performance in 1994 was also aided by continued attention to cost and capacity management. The Company's European cost structure was significantly lower in 1994 versus 1993 as a result of the reductions in higher-cost capacity implemented in connection with the fiscal 1993 year-end restructuring. Most of the Company's businesses also reduced operating and administrative costs to offset inflationary increases.

The following analysis of operating results and financial condition should be read in conjunction with the Consolidated Financial Statements and accompanying Notes.

Results of Operations

Net sales and other operating revenues increased 4% in both 1994 and 1993 with improvement coming from both the Specialty Chemicals and Materials and Energy Groups. In 1994, the Company's Specialty Chemicals and Materials Group benefitted from improving economies in several parts of the world, particularly in North and South America, and the resulting improvement in the tire and automotive industries. In addition, recovery in the European economy during the second half of the year resulted in a 7% sales gain in European Specialty Chemicals compared to the second half of 1993. Many of the businesses also had an improved sales mix towards higher valued products. In the Energy Group, revenue gains in 1994 were mostly due to the Company's LNG business, which benefitted from an unusually cold winter in the Northeastern United States, prompting higher natural gas prices and increased demand.

The 4% increase in the Company's net sales in 1993 versus 1992 was largely due to stronger business performance in the Company's North American Specialty Chemicals operations driven by improvements in the automotive and tire industries.

In 1994, 40% of Cabot's consolidated sales and 54% of consolidated Specialty Chemical Sales originated outside the United States. This compares to 41% and 56% in 1993, and 45% and 59% in 1992.

The Company is encouraged by business improvement in the United States and Europe and is confident that its Specialty Chemicals and Materials businesses are positioned to participate in further economic recovery in those regions. In the Energy Group, the Cabot LNG business anticipates a reduction in supplies of LNG over the next year or so due to the previously announced refurbishment of its Algerian supplier's liquefaction facility. The effect on the Company will depend on the number and timing of LNG shipments to the Company. The Company anticipates that near-term results from Cabot LNG will be adversely affected by reduced supply.

Cost of sales as a percentage of net sales improved in 1994 to 73% from 75% in 1993 and 74% in 1992. The decrease in 1994 is partly a result of higher capacity utilization and lower material costs in many of the Company's Specialty Chemicals and Materials businesses. In addition, the Company benefitted from a lower cost structure associated with the restructuring efforts begun in late 1993. The cost of sales increase in 1993 was a result of lower capacity utilization, particularly in higher cost European operations.

RESEARCH AND DEVELOPMENT SPENDING
Specialty Chemicals and Materials Group

[BAR GRAPH SHOWING THE FOLLOWING NUMBERS]

$ millions	Spending	Percent of Sales
90	$35.6	3.2%
91	$37.7	3.3%
92	$37.5	3.2%
93	$45.7	3.8%
94	$48.7	3.9%

Selling, research and administrative expenses increased 8%, or $20.3 million in 1994 versus an increase of 1%, or $2.8 million, in 1993 over 1992. The most significant increases in expenses included: continued strategic investment in systems and marketing development, incentive compensation, additional research and development expenses directed toward the Company's product differentiation strategy, and investment in the Company's Trinidad/Tobago LNG project. In 1993, expenses increased 1% over 1992, reflecting increased research and development costs partially offset by progress in the Company's ability to reduce net costs and the positive effect of foreign currency exchange.

OPERATING PROFIT Operating profit was $184.3 million in 1994, $118.4 million in 1993, and $173.2 million in 1992. Operating profit in 1993 included a $47.4 million restructuring charge to rationalize European production capacity. Operating margins as a percent of sales were 11% in 1994, 10%, before restructuring charges in 1993, and 11% in 1992.

Operating profit increased 11% in 1994 over 1993 before restructuring charges. The improvement came from both the Specialty Chemicals and Materials and Energy Groups and reflects volume growth in all Specialty Chemicals business segments. In addition, lower raw material costs, compared to 1993, boosted margins in some of the Specialty Chemicals businesses. The most significant improvements in 1994 operating profit were realized in the Company's European Specialty Chemicals businesses, reflecting the positive results of the business restructuring in that region which, together with improved economic conditions, significantly improved capacity utilization. In the Energy Group, the strong performance of the Company's LNG business during the second quarter of the 1994 fiscal year offset operating profit declines during the rest of the year.

In 1993, the Company recorded a $47.4 million ($31.1 million after-tax) restructuring charge to rationalize European capacity. During 1994, the Company actually incurred $17.9 million of these costs accrued for in 1993, for employee separation and facility closing costs to restructure its European Specialty Chemicals businesses. Included in 1994 operating profit is a $4.0 million reversal of the 1993 Specialty Chemicals and Materials Group restructuring charge based on the lower actual costs incurred during the closing of a carbon black plant in Europe. The Company will continue to evaluate its remaining reserves as new data become available, primarily relating to the final disposition of assets at the closed plant. Also during 1994, a $6.2 million charge was taken to write off the Company's investment in its Japanese carbon black affiliate as a result of significant ongoing losses which are expected to continue.

SALES AND OPERATING PROFIT FISCAL YEARS 1992, 1993, 1994

[BAR GRAPH SHOWING THE FOLLOWING NUMBERS]

$ millions	Sales	Operating Profit
SPECIALTY CHEMICALS		
92	$1,181.0	$155.0
93	$1,191.8	$149.1*
94	$1,241.1	$165.9

[BAR GRAPH SHOWING THE FOLLOWING NUMBERS]

$ millions	Sales	Operating Profit
ENERGY		
92	$ 376.0	$ 18.2
93	$ 422.5	$ 16.7
94	$ 438.7	$ 18.4

* Operating profit excludes a $47.4 million restructuring charge in 1993.

In 1993, operating profit, before restructuring charges, declined 4% from 1992. The decrease resulted from disappointing European results, and a slow first half in both the Specialty Chemicals and Materials and Energy Groups. Second half improvement in 1993 in the Company's North and South American Specialty Chemicals operations, and volume and pricing improvement in the Energy Group, offset some of the earlier declines.

OTHER EXPENSES Interest expense for 1994, 1993 and 1992 was $41.7 million, $44.0 million and $41.7 million, respectively. The 5% decrease in 1994 is primarily attributable to lower average debt than in 1993. The Company expects to further reduce interest expense in the coming year by lowering total debt, and by replacing some of the current portion of long-term debt with short-term floating-rate debt expected to be at lower interest rates. The increase in 1993 from 1992 was due to lower capitalized interest resulting from the completion of new manufacturing facilities in 1992, mitigated somewhat by declining interest rates.

Unallocated corporate expenses rose in 1994 to $23.4 million from $20.7 million in 1993 and $14.9 million in 1992. Except for the items noted below, unallocated corporate expenses have been relatively flat from 1992 to 1994. Interest and dividend income was $2.5 million more in 1994 than in 1993. Included in 1993 expenses were a $4.5 million gain on an insurance settlement and a $2.8 million gain on the sale of miscellaneous securities. 1992 expenses included gains totaling $12.4 million, consisting of a $5.5 million gain associated with the sale of The Maple Gas Corporation securities, a $3.6 million gain from receipt of a third-party payment in connection with a voluntary site cleanup, and a $3.3 million gain from the sale of American Oil

and Gas Corporation securities. In 1994, "Adjustments of reserves related to divested businesses" includes an $11.0 million charge for environmental matters. The additional environmental reserve is based on the Company's continuing analysis of costs likely to be incurred at each site. Also in 1994, the Company reversed $10.2 million of energy reserves based on the settlement of a significant case during the year. This compares to a $14.2 million reversal of energy reserves in 1993.

PROVISION FOR INCOME TAXES The effective tax rates on income from continuing operations were 38% in 1994, 44% in 1993 and 46%

SELECTED FINANCIAL DATA by Industry Segment

	Years ended September 30				
Dollars in millions	1994	1993	1992	1991	1990
NET SALES AND OTHER OPERATING REVENUES					
Specialty Chemicals and Materials	$1,241.1	$1,191.8	$1,181.0	$1,128.6	$1,106.5
Energy	438.7	422.5	376.0	353.5	441.4
Net sales and other operating revenues	$1,679.8	$1,614.3	$1,557.0	$1,482.1	$1,547.9
OPERATING PROFIT (LOSS)					
Specialty Chemicals and Materials (a)	$ 165.9	$ 101.7	$ 155.0	$ 103.2	$ 147.3
Energy (b)	18.4	16.7	18.2	9.5	(2.5)
Total operating profit	184.3	118.4	173.2	112.7	144.8
Interest expense	41.7	44.0	41.7	38.6	41.1
Unallocated corporate expenses, net (c)	23.4	20.7	14.9	11.7	39.7
Adjustment of reserves related to divested businesses	0.8	(14.2)	--	--	--
Income from continuing operations before income taxes	$ 118.4	$ 67.9	$ 116.6	$ 62.4	$ 64.0
DEPRECIATION AND AMORTIZATION					
Specialty Chemicals and Materials	$ 83.3	$ 81.5	$ 80.5	$ 70.8	$ 55.5
Energy	2.8	2.8	2.7	17.9	29.3
General corporate	0.2	0.2	0.9	0.5	0.7
Total	$ 86.3	$ 84.5	$ 84.1	$ 89.2	$ 85.5
FIXED ASSET ADDITIONS					
Specialty Chemicals and Materials	$ 70.7	$ 63.9	$ 76.5	$ 138.0	$ 122.2
Energy	2.9	0.7	1.3	59.4	51.8
General corporate	--	0.4	0.3	0.6	0.4
Total	$ 73.6	$ 65.0	$ 78.1	$ 198.0	$ 174.4
IDENTIFIABLE ASSETS					
Specialty Chemicals and Materials	$1,172.2	$1,117.4	$1,191.2	$1,059.6	$1,099.5
Energy	127.4	116.1	132.6	159.4	398.6
General corporate (d)	231.0	89.3	79.9	83.5	89.5
Equity in affiliates -- Specialty Chemicals and Materials	86.2	103.1	91.0	100.1	86.4
Equity in affiliates -- Energy	--	63.6	59.8	59.8	57.9
Total	$1,616.8	$1,489.5	$1,554.5	$1,462.4	$1,731.9

(a) Includes a $47.4 restructuring charge in 1993.
(b) Energy operating profit includes losses from restructuring of the Energy Group of $25.8 in 1990.
(c) Unallocated corporate expenses, net, include corporate management costs reduced by investment income.
(d) General corporate assets include cash, temporary cash investments, investments other than equity basis, income taxes receivable, deferred taxes and headquarters' assets.

in 1992. The improved tax rate primarily reflects a reduction of unbenefitted foreign losses. The Company was able to implement certain tax planning strategies which produced additional reductions. A more detailed analysis of income taxes is presented in Note K to the Consolidated Financial Statements.

INCOME BEFORE ACCOUNTING CHANGES Reported income before accounting changes was $78.7 million ($1.96 per common share) in 1994, compared to $37.4 million ($0.90 per common share) before accounting changes in 1993, and $62.2 million ($1.59 per common share) in 1992. Income in 1994 includes a $10.2 million ($0.16 per common share) gain due to the reversal of energy reserves and an $11.0 million ($0.18 per common share) expense due to an increase in environmental reserves. Income in 1993 included a $47.4 million before-tax ($31.1 million after-tax) restructuring charge and a $14.2 million before-tax favorable energy accrual adjustment. Without these one-time adjustments, income from operations would have been $79.2 million ($1.98 per common share) in 1994 and $59.8 million ($1.50 per common share) in 1993.

NET INCOME APPLICABLE TO COMMON SHARES Net income applicable to common shares was $75.1 million ($1.96 per share) in 1994, compared with $7.7 million ($0.20 per share) in 1993, and $58.5 million ($1.59 per share) in 1992. Net income in 1994 and 1993 includes the one-time adjustments mentioned above. In addition, net income applicable to common shares in 1993 includes a $26.1 million ($0.70 per share) after-tax charge for required accounting changes.

INCOME AND EARNINGS PER SHARE FROM CONTINUING OPERATIONS
Before restructuring charges
[BAR GRAPH SHOWING THE FOLLOWING NUMBERS]

INCOME ($ millions)	
90	$54.9
91	$39.8
92	$62.2
93	$68.5
94	$78.7

[BAR GRAPH SHOWING THE FOLLOWING NUMBERS]

EARNINGS PER SHARE (dollars)	
90	$1.04
91	$0.85
92	$1.59
93	$1.73
94	$1.96

Excludes after-tax restructuring charges of $13.0 million in 1990 and $31.1 million in 1993.

SPECIALTY CHEMICALS AND MATERIALS GROUP The Specialty Chemicals and Materials Group includes the Company's global specialty chemicals operations. These operations manufacture carbon black, a very fine black powder used as a reinforcing agent in tires and most other rubber products, and also widely used as an agent in many specialty applications such as inks, plastics, cables and coatings; fumed silica, a specialty chemical used as a thickening, dispersing and reinforcing agent in hundreds of products such as silicone rubber and polyester resins; thermoplastic concentrates and specialty compounds; tantalum capacitor materials and other metals and alloys for the electronic, medical, defense and aerospace markets; and personal protection safety products and energy absorbing industrial materials.

Sales for the Specialty Chemicals and Materials Group were up 4% in 1994 and 1% in 1993. All businesses in this Group reported higher sales in 1994. The Plastics business began to recover in 1994 with a small improvement in revenues, excluding revenues from the scaled back recycling business, following a 4% decline in the prior year. Sales growth in all businesses was primarily driven by volume improvement. Volume growth was seen in each of the Company's Specialty Chemicals businesses, as well as in each of the four major geographic regions (see pie charts). Of particular note were gains in the Company's more differentiated product lines, including Special Blacks, Industrial Rubber Blacks and Cab-O-Sil, illustrating some early success in Cabot's long-term corporate strategy of product differentiation. The 1% sales growth in 1993 reflected a strengthening North American economy, dampened by the recessionary environment in Europe.

Including 100% of affiliate sales and allocating North American exports to destination regions, 60% of Specialty Chemicals sales were made outside North America in 1994 compared to 62% in 1993.

Operating profit for the Specialty Chemicals and Materials Group grew 63%, or $64.2 million, in 1994 from 1993, compared to a decrease of 34% in 1993 from 1992. Operating profit in 1993 included a restructuring charge of $47.4 million. Before these restructuring charges, operating profit grew 11%, or $16.8 million, in 1994 from 1993. Most of the 1994 improvement in operating profit is a result of volume growth and improved product mix in the businesses. Also contributing to the growth in operating profit were improved margins related to favorable raw material costs and better capacity utilization, particularly in Europe. The decline in 1993 was due to a reduction in higher margin European business, the performance of three new plants started up in 1992 which were not fully utilized or profitable, and a sales shift towards lower margin products in

the Company's Safety business.

The Company is the world's only global manufacturer of carbon black. In 1994, 65% of total carbon black volumes, including 100% of affiliate volumes, were sold to customers outside North

SPECIALTY CHEMICALS REVENUES BY GEOGRAPHIC REGION

1993	Region	Percent
[Pie chart]	Pacific Asia	18%
	South America	7%
	North America	38%
	Europe	37%
1994		
[Pie chart]	Pacific Asia	17%
	South America	8%
	North America	40%
	Europe	35%

Revenues include 100% of equity affiliate sales.
Region reflects destination point.

America. Carbon black is manufactured on five continents in 25 plants in 19 countries. In 1994, production began at Cabot's new affiliated carbon black plant in the Czech Republic. Many carbon black facilities are wholly-owned by Cabot Corporation, while others are affiliates, jointly managed and operated with local partners in the specific regions. The Carbon Black Divisions serve three main market sectors, and each is affected in varying degrees by fluctuating economic conditions. Sales to tire manufacturers represent the largest percentage of carbon black sold by volume and weight. This sector is dependent on both new automobile tire sales and, to a greater degree, the replacement tire business. The makers of industrial rubber products such as hoses and gaskets represent a second market for carbon black. The third market is made up of manufacturers of inks and other special applications who use very high grade, higher margin carbon blacks. Sales by the Industrial Rubber Blacks and Special Blacks sectors reduce the Company's dependence on the tire industry. The Company's long-term strategy of product differentiation is aimed at building the less cyclical businesses and further reducing the Company's dependence on economic cycles.

Financial results from affiliate plants are reported in the income statement as Equity in Net Income of Affiliated Companies. In 1994, Equity in Net Income of Affiliates grew substantially, reflecting improvement in Cabot's South American and Mexican carbon black affiliates, and some improvement in its Pacific Asia affiliates. Performance in Japan continues to be adversely affected by recession and high costs in that region and the Company does not believe that these conditions are likely to improve soon. Therefore, the Company wrote off its remaining $6.2 million investment in its Japanese carbon black affiliate. Since April 1, 1994, any losses incurred by the Japanese affiliate no longer impact Cabot's financial statements. The performance of the Company's Japanese special blacks subsidiary will continue to be reflected in Cabot's financial statements.

In Carbon Black, total sales for 1994 increased moderately, compared to minor increases in both 1993 and 1992. Continued strength in the North and South American tire and automotive industries contributed to the growth along with the beginning of a recovery in the European economy during the second half of the year. Carbon black operating profit improved in 1994 due to higher volumes, especially in the Industrial Rubber and Special Blacks sectors. Margins were moderately better during the first half of the year, caused by lower raw material costs. Including 100% of affiliate volumes, 65% of the carbon black was sold to customers outside North America versus 67% in 1993.

CARBON BLACK SALES VOLUMES BY GEOGRAPHIC REGION

1993	Region	Percent
[Pie chart]	Pacific Asia	24%
	South America	13%
	North America	33%
	Europe	30%
1994		
[Pie chart]	Pacific Asia	22%
	South America	13%
	North America	35%
	Europe	30%

Volumes include 100% of equity affiliate sales volumes.
Region reflects destination point.

In 1993, the moderate increase in Carbon Black sales was due to the improved Tire and Industrial Rubber Blacks business in North America. Before restructuring charges, 1993 operating profit dropped due to lost European volumes and the effect of lower plant capacity utilization on profits. Some

improvement in other regions helped to offset the shortfall.

The Cab-O-Sil Division reported volume and sales gains of over 15% from 1993, with improvement coming from both North America and Europe. Operating profit also improved dramatically from weak 1993 levels due to higher capacity utilization and cost management together with the strong volume growth. The Company expects the strong performance in the fumed silica business to continue into 1995. In 1993, the Division's profitability growth was stalled by a combination of the weakness of the European economies and the

costs associated with expanded capacity.

In the Plastics Division, core business revenue grew moderately in 1994, compared to a moderate decline in 1993. The Division returned to profitability in 1994 as a result of the cost cutting and restructuring initiatives undertaken in 1993 as well as improving economic conditions in Europe late in the fiscal year. Market conditions which began to improve in late 1994 are expected to continue improving. In 1993, revenues in the Plastics Division were down compared to 1992 due to lower volumes and prices caused by the Division's European exposure and the strategic elimination of low margin products.

Cabot Performance Materials reported small sales gains in 1994. However, profitability was negatively impacted by operating problems, primarily yield and throughput issues. The Company expects to make significant investments in this business over the next couple of years to improve operating efficiency. In 1993, performance in the Division was boosted by higher sales and capacity utilization.

Cabot Safety Corporation showed modest sales and margin growth in 1994. However, continued costs associated with marketing programs and one-time expenses caused a slight decrease in profitability. Cost management improved during the second half of the year and is expected to improve further in 1995. In 1993, sales remained at 1992 levels, however, profitability was reduced by price pressure and a continuing customer shift to lower margin products. Cabot is considering a variety of transactions which would result in Cabot Safety being deconsolidated.

THE ENERGY GROUP The Energy Group includes two operating subsidiaries: Cabot LNG, a liquefied natural gas importing and terminalling operation, and TUCO, a coal fuel services business.

The Company also owned a 34.4% interest in American Oil and Gas Corporation (AOG), whose operating results were reflected in Cabot's Equity in Net Income of Affiliated Companies until July 13, 1994, when AOG was merged into a subsidiary of K N Energy, Inc. (KNE). On completion of the merger, Cabot became the largest stockholder of KNE with 15.2% of the outstanding common stock, and warrants to acquire an additional 1.9%. Cabot's investment in KNE is accounted for in accordance with SFAS 115. Dividends from the investment are now included in interest and dividend income.

Energy Group sales were $438.7 million in 1994, $422.5 million in 1993, and $376.0 million in 1992. The 4% increase in 1994 revenues can be primarily attributed to the Company's LNG business, where an unusually cold winter in the Northeastern United States boosted demand and resulted in higher natural gas prices. Operating profits grew 10% in 1994 versus 1993. The entire increase was realized during the second quarter with higher volumes and margins in the Company's LNG business. The gains made during the peak winter quarter more than offset LNG shortfalls in the remaining three quarters, and lower profits in the Company's TUCO business. During 1994, TUCO's profit was lower as a result of disruptions in coal transportation which significantly reduced inventories of coal in 1993 and 1994. Reduced inventories, in turn, reduced TUCO's service margins under a contractual formula.

Energy Group results in 1993 reflected a slow first half in Cabot LNG caused by unseasonably warm weather, and lower gas prices, offset by rebounding prices and volumes in the second half. TUCO's revenue in 1993 was up 9% from 1992 due to increased demand for electricity, brought about by a relatively hotter summer in Texas.

The Company anticipates that near-term results from Cabot LNG will be adversely affected by constraints on supplies of LNG due to refurbishment at the supplier's Algerian liquefaction facilities. The effect on the Company will depend on the number and timing of LNG shipments received. Other gas supply opportunities are being explored. The Company cannot predict, at this time, what, if any, impact the political instability in Algeria may have on the deliveries of LNG to Cabot from its supplier.

CASH FLOW AND LIQUIDITY Cash generated in 1994 from the Company's operating activities decreased 24% to $143.8 million from $189.1 million in 1993. The decrease reflects some rebuilding of inventories by the Company's TUCO and LNG businesses, and a decrease in accounts payable and accrued expenses due to the settlement of the last significant, and previously reserved for, take-or-pay case. These decreases were partially offset by the increase in net income during 1994.

Capital spending on property, plant and equipment was $73.6 million in 1994, $65.0 million in 1993 and $78.1 million in 1992. In 1994, spending was used to improve and enhance existing business facilities. Spending on investments and acquisitions was $0.4 million in 1994, $40.9 million in 1993 and $13.7 million in 1992. In 1993, the Company invested $17.8 million in the acquisition of the remaining interest of its Brazilian subsidiary and smaller amounts in its Czech Republic, Mexican and Indonesian carbon black affiliates, and to purchase the remaining interest in a Canadian affiliate.

SOURCES AND USES OF CASH FISCAL YEARS 1993, 1994

[BAR GRAPH SHOWING THE FOLLOWING NUMBERS]

$ millions	Operations	Sales of Assets
SOURCES OF CASH		
93	$189.1	$3.5
94	$143.8	$0.5

[BAR GRAPH SHOWING THE FOLLOWING NUMBERS]

$ millions	Capital Expenditures and Investments	Dividends	Financing & Other
USES OF CASH			
93	$105.9	$22.9	$54.2
94	$ 74.0	$23.6	$ 6.0

The Company expects capital spending to increase significantly in 1995, primarily to improve and maintain existing facilities and equipment, especially in the Company's Performance Materials business. Over the next three years, the Company expects to have at least $30 million of capital expenditures associated with Clean Air Act compliance. In addition, over the next several years, as the remediation for various environmental sites is carried out, the Company expects to spend a significant portion of its $44 million reserve for costs associated with such remediation. These sites are primarily associated with divested businesses. Also, the Company may refurbish its LNG tanker within the next year or two for approximately $20 million.

Cabot decreased its borrowings by $15 million and increased cash by $41 million in 1994. The Company has $150 million of 9.875% coupon debt due in December 1994. The Company plans to pay a portion of this debt out of cash and to replace the remainder with floating rate loans, which are expected to be at more favorable short-term rates. Primarily due to the Company's strong operating performance in 1994, its ratio of total debt (including short-term debt net of cash) to capital decreased to 42.1% at the end of 1994 from 50.4% at the end of 1993. The Company is not anticipating significant debt reductions in 1995 due to its planned capital investments.

Management expects cash from operations and present financing arrangements, including the Company's unused line of credit of $250 million, to be sufficient to meet the Company's cash requirements for the foreseeable future.

COMMON STOCK In 1994, the Company announced a two-for-one stock split and an approximately 8% increase in its quarterly dividend. The stock split was effected August 17, 1994, by the distribution of one additional share of common stock for each share of common stock held by stockholders of record on August 9, 1994. As a result of this transaction, all common share data and per share data has been restated to reflect the split, where appropriate.

SHAREHOLDER RETURN
Cabot versus the Standard and Poor's (S&P) 500

	1989	1990	1991	1992	1993	1994
CABOT	$100.00	$72.82	$102.98	$153.81	$181.99	$182.30
S & P 500	$100.00	$90.76	$119.04	$132.20	$149.38	$154.89

$200
- ---
$150
- ---
$100
- ---
$50
- ---

[Line graph showing performance of Cabot versus S & P 500 reflecting data points shown above.]
Graph assumes $100 was invested on October 1, 1989 in Cabot common stock and the S&P 500 index. The comparison assumes that all dividends are reinvested. (A graph showing the comparison with certain other indices is shown in the Company's proxy statement.)

In October 1994, the Board of Directors authorized the Company to purchase up to 1,500,000 shares of the Company's common stock, superseding a previous authorization. The Company presently intends to use the authorization to purchase from time to time approximately the same number of shares as it issues under its incentive programs subject to its evaluation of market conditions and other relevant factors.

During the 1994 fiscal year, the Company paid cash dividends of $0.53 per share reflecting a quarterly dividend of $0.13 for the first three quarters of the year, and $0.14 in the fourth quarter. The book value per share of Cabot stock increased 25% to $14.81 at September 30, 1994.

QUARTERLY STOCK PRICE AND DIVIDEND DATA

FISCAL 1993	Dec	Mar	Jun	Sep	Year
Cash dividends per share	$ 0.13	$ 0.13	$ 0.13	$ 0.13	$ 0.52
Price range of common stock					
High.	24.81	21.94	24.38	28.13	28.13
Low	20.56	18.63	19.81	23.31	18.63
Close	21.69	21.25	24.38	27.75	27.75
FISCAL 1994	**Dec**	**Mar**	**Jun**	**Sep**	**Year**
Cash dividends per share	$ 0.13	$ 0.13	$ 0.13	$ 0.14	$ 0.53
Price range of common stock					
High.	29.19	28.00	26.63	28.38	29.19

Low	26.13	25.56	24.44	25.13	24.44
Close	26.94	27.00	25.56	27.25	27.25

NEW ACCOUNTING STANDARDS At September 30, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Upon adoption, the Company recorded an unrealized gain on marketable securities available for sale of $46 million. The gain was recorded as a separate component of stockholders' equity, net of a deferred tax liability of $17 million.

The Company adopted two new accounting principles during 1993, effective as of the beginning of fiscal 1993: SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS Statement No. 109, "Accounting for Income Taxes."

SFAS 106 mandates the accrual of certain postretirement health care and life insurance benefits on an "as-earned" basis. The Company recognized the entire accumulated benefit obligation in 1993 and, as a result, recorded a $43.2 million after-tax charge for the cumulative effect of the change in accounting for postretirement health care and life insurance benefits.

SFAS 109 requires an asset and liability approach for financial accounting and reporting of income taxes. The Company recognized a $17.1 million benefit in 1993 as the cumulative effect of adoption of SFAS 109.

Cabot Corporation CONSOLIDATED STATEMENTS OF INCOME

Dollars in thousands, except per share amounts	Years ended September 30 1994	1993	1992
Revenues:			
Net sales and other operating revenues	$1,679,819	$1,614,315	$1,556,986
Interest and dividend income	6,742	4,225	5,217
Total revenues	1,686,561	1,618,540	1,562,203
Cost and expenses:			
Cost of sales	1,234,272	1,211,655	1,151,063
Selling and administrative expenses	222,069	204,804	210,213
Research and technical service	48,701	45,651	37,470
Interest expense (Note G)	41,668	44,043	41,714
Specialty Chemicals and Materials Group restructuring (Note B)	(4,000)	47,400	--
Gain on resolution of matters from divested energy businesses (Note B)	(10,210)	(14,177)	--
Other charges, net	35,736	11,264	5,144
Total costs and expenses	1,568,236	1,550,640	1,445,604
Income before income taxes	118,325	67,900	116,599
Provision for income taxes (Note K)	(44,963)	(30,699)	(54,549)
Equity in net income of affiliated companies (Note D)	5,329	209	173
Income before cumulative effect of accounting changes	78,691	37,410	62,223
Cumulative effect of accounting changes (Notes I and K)	--	(26,109)	--
Net income	78,691	11,301	62,223
Dividends on preferred stock, net of tax benefit of $1,929, $1,934 and $1,910	(3,583)	(3,632)	(3,709)
Income applicable to common shares	$ 75,108	$ 7,669	$ 58,514
Income per common share (Note A and H):			
Primary			
Continuing operations	$ 1.96	$ 0.90	$ 1.59
Cumulative effect of accounting changes	--	(0.70)	--
Income per share	$ 1.96	$ 0.20	$ 1.59
Fully diluted			
Continuing operations	$ 1.84	$ 0.90	$ 1.49
Cumulative effect of accounting changes	--	(0.70)	--
Income per share	$ 1.84	$ 0.20	$ 1.49

The accompanying notes are an integral part of these financial statements.

Cabot Corporation CONSOLIDATED BALANCE SHEETS

Dollars in thousands	September 30 1994	1993
Assets		
Current assets:		
Cash and cash equivalents	$ 80,917	$ 40,267
Accounts and notes receivable (net of reserve for doubtful accounts of $7,697 and $6,321)	272,787	258,057
Inventories (Note C)	216,882	195,350
Prepaid expenses	13,293	8,771
Deferred income taxes (Note K)	22,509	41,761
Total current assets	606,388	544,206
Investments:		
Equity (Notes B and D)	86,164	166,669
Other (Notes D and H)	115,768	7,911
Total investments	201,932	174,580
Property, plant and equipment (Note E)	1,381,576	1,250,228
Accumulated depreciation and amortization	(687,068)	(603,708)
Net property, plant and equipment	694,508	646,520
Other assets:		
Intangible assets (net of accumulated amortization of $34,534 and $26,926)	74,089	78,873
Deferred income taxes (Note K)	6,722	5,752
Other assets	33,117	39,542
Total other assets	113,928	124,167
Total assets	$1,616,756	$1,489,473

The accompanying notes are an integral part of these financial statements.

Cabot Corporation CONSOLIDATED BALANCE SHEETS

Dollars in thousands	September 30 1994	1993
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable to banks	$ 26,480	$ 1,501
Current portion of long-term debt (Note G)	159,724	29,205
Accounts payable and accrued liabilities (Note F)	281,342	297,201
U.S. and foreign income taxes	3,626	25,029
Deferred income taxes (Note K)	3,943	1,285
Total current liabilities	475,115	354,221
Long-term debt (Note G)	307,828	459,275
Deferred income taxes (Note K)	124,286	86,344
Other liabilities (Note I)	147,038	147,360
Commitments and contingencies (Note L)		
Stockholders' equity (Notes D, G, H, I and J):		
Preferred stock:		
Authorized: 2,000,000 shares of $1 par value		
Series A Junior Participating Preferred Stock		
Issued and outstanding: none		
Series B ESOP Convertible Preferred Stock 7.75% Cumulative		
Issued: 75,336 shares (aggregate redemption value of $73,577 and $74,982)	75,336	75,336
Less cost of shares of preferred treasury stock	(4,003)	(3,003)
Common stock:		
Authorized: 80,000,000 shares of $1 par value		
Issued: 67,774,968 and 33,887,484 shares	67,775	33,887
Additional paid-in capital	3,783	33,621
Retained earnings	916,942	861,803
Less cost of common treasury stock (including unearned amounts of $7,884 and $7,321)	(475,055)	(483,184)
Deferred employee benefits	(67,403)	(68,781)
Unrealized gain on marketable securities	28,787	--
Foreign currency translation adjustments	16,327	(7,406)
Total stockholders' equity	562,489	442,273
Total liabilities and stockholders' equity	$1,616,756	$1,489,473

The accompanying notes are an integral part of these financial statements.

Cabot Corporation CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands	1994	1993	1992
	Years ended September 30		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 78,691	$ 11,301	$ 62,223
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	86,265	84,476	84,128
Deferred tax provision	27,084	(12,176)	22,920
Gain on sales of investments	--	(2,841)	(12,790)
Effects of accounting changes	--	26,109	--
Equity in income of affiliated companies, net of dividends received	309	5,779	5,593
Other, net	5,750	3,391	5,491
Changes in assets and liabilities:			
Increase in accounts receivable	(3,042)	(17,332)	(14,246)
(Increase) decrease in inventories	(13,688)	17,412	(27,181)
(Decrease) increase in accounts payable and accruals	(27,862)	38,555	(26,693)
Other, net	(9,740)	34,469	3,889
Cash provided by operating activities	143,767	189,143	103,334
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(73,555)	(65,009)	(78,070)
Investments and acquisitions (excluding cash acquired)	(371)	(40,905)	(13,745)
Sales of property, plant and equipment, and investments	545	3,506	26,033
Cash used by investing activities	(73,381)	(102,408)	(65,782)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,189	9,259	118,778
Repayments of long-term debt	(41,584)	(7,076)	(31,521)
Net increase (decrease) in short-term debt	24,979	(66,700)	(106,998)
Issuances of treasury stock, net	7,703	12,647	3,185
Cash dividends paid to stockholders	(23,552)	(22,920)	(22,694)
Cash used by financing activities	(31,265)	(74,790)	(39,250)
Effect of exchange rate changes on cash	1,529	(2,334)	(6,683)
Increase (decrease) in cash and cash equivalents	40,650	9,611	(8,381)
Cash and cash equivalents at beginning of year	40,267	30,656	39,037
Cash and cash equivalents at end of year	$ 80,917	$ 40,267	$ 30,656

The accompanying notes are an integral part of these financial statements.

Cabot Corporation NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles. The significant accounting policies of the Company are described below.

PRINCIPLES OF CONSOLIDATION The Consolidated Financial Statements include the accounts of Cabot Corporation and majority-owned and controlled domestic and foreign subsidiaries. Investments in majority-owned affiliates where control does not exist and investments in 20 percent to 50 percent-owned affiliates are accounted for on the equity method. Intercompany transactions have been eliminated.

CASH EQUIVALENTS For purposes of the statements of cash flows, the Company considers all time deposits and short-term investments with a maturity of three months or less at time of purchase to be cash equivalents.

FOREIGN CURRENCY TRANSLATION Substantially all assets and liabilities of the Company's foreign operations are translated at year-end exchange rates. Revenues and expenses are translated at the weighted average rate during the year. Foreign currency gains and losses arising from transactions are reflected in net income. Balance sheet translation gains and losses are reflected as a separate component of stockholders' equity.

INVENTORIES Inventories are stated at the lower of cost or market. The cost of most domestic inventories is determined using the last-in, first-out (LIFO) method. The cost of other domestic and all foreign inventories is determined using the average cost method or the first-in, first-out (FIFO) method.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment are recorded at cost. For financial reporting purposes, depreciation of property, plant and equipment is calculated using primarily the straight-line method based on estimated economic lives of 3 to 25 years.

EARNINGS PER SHARE Earnings per share is computed on the basis of weighted average shares outstanding during each year. Fully diluted earnings per share considers conversion of the Company's Series B ESOP Convertible Preferred Stock held by the Company's Employee Stock Ownership Plan (Note H) and shares issuable under the Company's incentive compensation plans (Note J).

INCOME TAXES In the fourth quarter of 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," retroactive to October 1, 1992. Under SFAS No. 109, deferred income taxes are provided based on the estimated future tax effects of differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Provisions are made for the U.S. income tax liability and additional foreign taxes on the undistributed earnings of foreign subsidiaries, except for amounts the Company has designated to be permanently reinvested.

INTANGIBLE ASSETS Intangible assets are comprised of the cost of business acquisitions in excess of the fair value assigned to the net tangible assets acquired and the costs of technology, licenses and patents purchased in business acquisitions. The excess of cost over the fair value of net assets acquired is amortized on the straight-line basis over either 40 years or an estimated useful life, whichever is shorter. Other intangibles are amortized over their estimated useful lives. Included in Other Charges is amortization expense of $7,661,000, $6,884,000 and $7,360,000 in 1994, 1993 and 1992, respectively.

INTEREST RATE SWAP AGREEMENTS The Company entered into interest rate swap agreements during 1993 to convert a portion of its fixed-rate obligations into floating-rate borrowings. The interest rate differential to be received or paid is recognized over the lives of the agreements as an adjustment to interest expense. There are no open contracts as of September 30, 1994.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS Forward foreign currency exchange contracts are purchased to reduce the impact of foreign currency fluctuations on operating results. Realized and unrealized gains and losses on these contracts are recorded in net income currently, with the exception of gains or losses on contracts designated to hedge a net investment, which are recorded as translation adjustments. Included in Other Charges are foreign exchange losses of $1,713,000, $1,977,000 and $3,021,000 in 1994, 1993 and 1992, respectively.

RECLASSIFICATION Certain amounts in 1993 and 1992 have been reclassified to conform to the 1994 presentation.

B. RESTRUCTURING

SPECIALTY CHEMICALS AND MATERIALS During 1993, the Company recognized a $47,400,000 charge for the restructuring of certain Specialty Chemicals and Materials businesses including a carbon black plant closing in Europe, the scaling back of the Company's Plastics recycling business and the closing of certain Specialty Chemicals production lines.

During 1994, the Company incurred $17,890,000 of cost accrued for in 1993 for employee separation and facility closing expenses. Also, the Company revised its restructuring reserve based on the actual costs incurred during the closing of a carbon black plant in Europe. The Company will continue to evaluate its remaining reserve as new data become available, primarily relating to the final disposition of assets at the closed plant. A $4,000,000 benefit from the revision of the reserve was recorded in 1994.

During 1994, the Company recorded, in Other Charges, a $6,150,000 charge to write off its investment in its Japanese carbon black equity affiliate due to significant ongoing losses which are expected to continue.

ENERGY During 1994 and 1993, the Company recognized gains of $10,210,000 and $14,177,000, respectively, on the favorable resolution of certain matters related to divested energy businesses, which included the settlement of the Company's last significant take-or-pay case in 1994.

C. INVENTORIES

Inventories were as follows:

	September 30	
Dollars in thousands	1994	1993
Raw materials	$ 52,564	$ 45,589
Work in process	33,139	36,923
Finished goods	94,363	77,747
Other	36,816	35,091
Total	$216,882	$195,350

Inventories valued under the LIFO method comprised approximately 26 percent and 23 percent of 1994 and 1993 totals, respectively. The estimated current cost of these inventories exceeded their stated valuation determined on the LIFO basis by $32,666,000 and $26,958,000 at September 30, 1994 and 1993, respectively.

D. INVESTMENTS

Investments in net assets of affiliated companies accounted for under the equity method amounted to $86,164,000 and $166,669,000 at September 30, 1994 and 1993, respectively. The combined results of operations and financial position of the Company's equity-basis affiliates are summarized below:

	Years ended September 30	
Dollars in thousands	1994	1993
CONDENSED INCOME STATEMENT INFORMATION		
Net sales	$335,346	$860,535
Gross margin	84,281	151,502
Income before accounting changes	5,064	5,259
Net income	5,064	6,080
CONDENSED BALANCE SHEET INFORMATION		
Current assets	$199,920	$306,749
Non-current assets	317,666	618,890
Current liabilities	242,452	313,196
Non-current liabilities	105,599	234,387
Net worth	169,535	378,056

On July 13, 1994, American Oil and Gas Corporation (AOG) was merged into a subsidiary of K N Energy, Inc. (KNE). As a result of the merger, each outstanding share of AOG held by the Company was converted into 0.47 of a share of KNE common stock. On the completion of the merger, the Company owned approximately 15% of the outstanding KNE common stock and has accounted for its investment in accordance with the provisions of SFAS No. 115. Prior to the merger, the Company owned a 34% interest in AOG and accounted for its investment on the equity method.

During 1994, the Company's investment in its Indonesian affiliate was accounted for on an equity basis. Effective September 30, 1994, the balance sheet of the Indonesian affiliate was fully consolidated reflecting the Company's ongoing controlling interest.

Condensed income statement and balance sheet information for the

Company's investment in KNE common stock and the Indonesian affiliate have been excluded from the above 1994 combined results of operations and financial position.

Effective September 30, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Equity securities with readily determinable fair values have been reflected on the balance sheet at their fair values as of September 30, 1994. A $28,787,000 unrealized gain, net of a $17,644,000 deferred tax liability, has been reflected as a separate component of stockholders' equity (Note H).

E. PROPERTY, PLANT & EQUIPMENT

The cost of property, plant and equipment, by industry segment, was as follows:

Dollars in thousands	September 30 1994	1993
Specialty Chemicals and Materials.	$1,288,647	$1,156,692
Energy	91,295	91,566
General corporate assets	1,634	1,970
Total.	$1,381,576	$1,250,228

F. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

Dollars in thousands	September 30 1994	1993
Accounts payable	$101,934	$ 85,893
Accrued employee compensation.	25,024	20,224
Restructuring liabilities.	19,474	41,364
Other accrued liabilities.	134,910	149,720
Total.	$281,342	$297,201

G. DEBT

Long-term debt consisted of the following:

Dollars in thousands	September 30 1994	1993
Notes due 1994, 9.875%	$ 150,000	$150,000
Notes due 2002-2022, 8.07%	105,000	105,000
Notes due 1997, 10.25%	100,000	100,000
Guarantee of ESOP notes due 2013, 8.29%.	67,403	68,781
Overseas Private Investment Corporation due 2002, floating rate, 6.5% at September 30, 1994.	15,000	--
French franc-denominated notes due 1995-1997, 8.37%-15.12%	357	16,419
Notes due 1993, 7.40%.	--	14,998
Australian dollar-denominated notes due 1995, 12.90%	1,665	4,352
Industrial Revenue Bonds due 1997-2014, 9.35%-14.00%.	5,000	6,000
Other, including foreign term loans.	23,127	22,930
	467,552	488,480
Less: current portion of long-term debt	(159,724)	(29,205)
Total.	$ 307,828	$459,275

During fiscal 1989, the Company's Employee Stock Ownership Plan (ESOP) borrowed $75,000,000 from an institutional lender in order to finance its purchase of 75,000 shares of the Company's Series B ESOP Convertible Preferred Stock. This debt bears interest at 8.29% per annum, and is to be repaid in equal quarterly installments through December 31, 2013. The Company, as guarantor, has reflected the outstanding balance of $67,403,000 as a liability on the Company's consolidated balance sheet at September 30, 1994. An equal amount, representing deferred employee benefits, has been recorded as a reduction of stockholders' equity (Note H).

In June 1992, the Company filed a $300 million debt shelf registration statement with the Securities and Exchange Commission. Subsequently, $105 million of notes payable were refinanced with notes of a weighted average maturity of 19 years and a weighted average interest rate of 8.07%. The notes were issued at par and provide for principal to be repaid at maturity.

During 1994, the Company replaced its revolving credit and term loan facility. Under the new credit agreement, the Company may borrow up to $250,000,000 at floating rates. The agreement contains provisions regarding minimum net worth requirements and certain indebtedness limitations which could limit the amount available for future borrowings. Commitment fees are paid based on the used and unused portions of the facility. The facility is available through January 13, 1997. No amounts were outstanding under this credit agreement at September 30, 1994.

The aggregate principal amounts of long-term debt due in each of the five fiscal years 1995 through 1999 are $159,724,000, $12,121,000, $6,854,000, $105,987,000 and $6,238,000, respectively.

Cash paid for interest during 1994, 1993 and 1992 totalled $41,663,000, $41,970,000 and $44,347,000, respectively. The Company capitalized no interest in 1994 or 1993, and $3,963,000 in 1992.

Based primarily on dealer quotes, the fair value of long-term borrowings was approximately $478,000,000 and $555,000,000 at September 30, 1994 and 1993, respectively.

H. STOCKHOLDERS' EQUITY

The following table summarizes the changes in stockholders' equity for each of the three years in the period ended September 30, 1994:

	Years ended September 30		
Dollars in thousands	1994	1993	1992
PREFERRED STOCK			
Beginning of year	$ 75,336	$ 75,336	$ 75,336
End of year	$ 75,336	$ 75,336	$ 75,336
PREFERRED TREASURY STOCK			
Beginning of year	$ (3,003)	$ (2,693)	$ (2,393)
Purchase of treasury stock	(1,000)	(310)	(300)
End of year	$ (4,003)	$ (3,003)	$ (2,693)
COMMON STOCK			
Beginning of year	$ 33,887	$ 33,887	$ 33,887
Two-for-one stock split	33,888	--	--
End of year	$ 67,775	$ 33,887	$ 33,887
ADDITIONAL PAID-IN CAPITAL			
Beginning of year	$ 33,621	$ 30,324	$ 26,597
Sale of treasury stock to the Profit Sharing and Savings Plan	633	861	(50)
Issuance of treasury stock under employee compensation plans	3,417	2,436	3,777
Two-for-one stock split	(33,888)	--	--
End of year	$ 3,783	$ 33,621	$ 30,324
RETAINED EARNINGS			
Beginning of year	$ 861,803	$ 873,422	$ 833,893
Net income	78,691	11,301	62,223
Common dividends paid ($0.53, $0.52, $0.52 per share)	(19,969)	(19,288)	(18,985)
Preferred dividends paid to ESOP, net of tax benefit	(3,583)	(3,632)	(3,709)
End of year	$ 916,942	$ 861,803	$ 873,422
COMMON TREASURY STOCK			
Beginning of year	$(475,863)	$(490,132)	$(493,584)
Purchase of treasury stock	--	(57)	(1,678)
Sale of treasury stock to the Profit Sharing and Savings Plan	625	1,896	502
Issuance of treasury stock under employee compensation plans	8,067	12,430	4,628
End of year	$(467,171)	$(475,863)	$(490,132)
UNEARNED COMPENSATION			
Beginning of year	$ (7,321)	$ (4,692)	$ (1,415)
Issuance of treasury stock under employee compensation plans	(4,039)	(4,609)	(3,693)
Amortization	3,476	1,980	416
End of year	$ (7,884)	$ (7,321)	$ (4,692)
DEFERRED EMPLOYEE BENEFITS			
Beginning of year	$ (68,781)	$ (70,050)	$ (71,220)
Principal payment by ESOP under guaranteed loan	1,378	1,269	1,170
End of year	$ (67,403)	$ (68,781)	$ (70,050)
UNREALIZED GAIN ON MARKETABLE SECURITIES			
Beginning of year	$ --	$ --	$ --
Unrealized gain (Note D)	28,787	--	--
End of year	$ 28,787	$ --	$ --
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS			
Beginning of year	$ (7,406)	$ 47,553	$ 25,762
Foreign currency translation adjustments	23,733	(54,959)	21,791
End of year	$ 16,327	$ (7,406)	$ 47,553
TOTAL STOCKHOLDERS' EQUITY, END OF YEAR	$ 562,489	$ 442,273	$ 492,955

SHARES OF STOCK		September 30	
	1994	1993	1992
PREFERRED STOCK			
Beginning of year. . . .	75,336	75,336	75,336
End of year.	75,336	75,336	75,336
PREFERRED TREASURY STOCK			
Beginning of year. . . .	3,686	3,230	2,559
Purchased.	818	456	671
End of year.	4,504	3,686	3,230
COMMON STOCK			
Beginning of year. . . .	33,887,484	33,887,484	33,887,484
Two-for-one stock split.	33,887,484	--	--
End of year.	67,774,968	33,887,484	33,887,484
COMMON TREASURY STOCK			
Beginning of year. . . .	15,161,103	15,560,213	15,688,415
Purchased.	--	1,300	34,617
Issued	(278,550)	(400,410)	(162,819)
Two-for-one stock split.	14,901,169	--	--
End of year.	29,783,722	15,161,103	15,560,213

In November 1986, the Company declared a dividend of one Preferred Stock Purchase Right (Right) for each outstanding share of Cabot common stock. In August 1988, the Company amended the terms of the Rights. The Rights are not presently exercisable. Each Right entitles the holder, upon the occurrence of certain specified events, to purchase from Cabot a unit consisting of one one-hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of $100 per unit. The Rights further provide that each Right will entitle the holder, upon the occurrence of certain other specified events, to purchase from Cabot, Cabot common stock having a value of twice the exercise price of the Right or, upon the occurrence of certain other specified events, to purchase from another person into which Cabot was merged or which acquired 50% or more of Cabot's assets or earnings power, common stock of such other person having a value of twice the exercise price of the Right. The Rights may be generally redeemed by Cabot at a price of $0.05 per Right. The Rights expire on December 3, 1996.

During fiscal 1989, the Company placed 75,336 shares of its Series B ESOP Convertible Preferred Stock with the Company's Employee Stock Ownership Plan (ESOP) for cash at a price of $1,000 per share. Each share of the Series B ESOP Convertible Preferred Stock is convertible into 43.735 shares of the Company's common stock subject to certain events and anti-dilution adjustment provisions, and carries voting rights on an "as converted" basis. The trustee for the ESOP has the right to cause the Company to redeem shares sufficient to provide for periodic distributions to plan participants. Such shares shall be redeemed at their fair market value, and may be redeemed by the Company for cash, shares of the Company's common stock, or a combination thereof at the Company's option. Each share is redeemable at the option of the Company at a price of $1,038.75. The redemption price declines annually until it becomes $1,000 on and after November 19, 1998, plus accrued but unpaid dividends to the redemption date.

The issued shares of Series B ESOP Convertible Preferred Stock are entitled to receive preferential and cumulative quarterly dividends, and rank as to dividends and liquidation prior to the Company's Series A Junior Participating Preferred Stock and common stock. At September 30, 1994, 3,098,000 shares of the Company's common stock were reserved for conversion of the Series B ESOP Convertible Preferred Stock.

On July 27, 1994, a two-for-one stock split in the form of a stock dividend was authorized, payable to stockholders of record on August 9, 1994. A total of 33,887,484 shares were issued in connection with the split. Also, $33,887,484 was reclassified from additional paid-in-capital to common stock. All common share and per share amounts in these financial statements have been restated to reflect the split where appropriate.

In October 1994, the Company's Board of Directors authorized the purchase of up to 1,500,000 of the Company's common shares and withdrew the previous authorization.

I. PENSION PLANS & POSTRETIREMENT BENEFITS

PENSION PLANS Net periodic pension cost was comprised of the following elements:

	Years ended September 30		
Dollars in thousands	1994	1993	1992
Current year service cost	$ 8,090	$ 9,254	$ 7,768
Interest accrued on pension obligations	11,675	9,964	9,995
Actual return on plan assets	(11,431)	(12,357)	(10,760)
Net amortization	(2,062)	(1,580)	(2,549)
Net periodic pension cost	$ 6,272	$ 5,281	$ 4,454

The following table sets forth the funded status of pension plans:

	September 30	
Dollars in thousands	1994	1993
Actuarial present value of projected benefit obligations	$155,253	$144,254
Plan assets at fair value (primarily fixed-income and equity securities)	163,651	150,659
Excess of plan assets over projected benefit obligations	8,398	6,405
Unrecognized net gain	(24,084)	(14,767)
Unrecognized prior service cost	3,066	(3,261)
Unrecognized net asset being amortized over 16 years	(6,906)	(8,798)
Net deferred pension credit (included in other deferred liabilities)	$(19,526)	$(20,421)

The Company has trusteed, non-contributory pension plans covering most employees in the United States and certain foreign subsidiaries. Benefits provided under the Company's defined benefit pension plans are primarily based on years of service and the employee's compensation. The Company's funding policy is to contribute annually amounts based upon actuarial and economic assumptions designed to achieve adequate funding of projected benefit obligations.

Pension benefits accrue under several benefit plans, including the following two plans: the Cash Balance Plan (CBP), a defined benefit pension plan, and the Employee Stock Ownership Plan (ESOP). In November 1988, the ESOP was funded with the Company's newly issued Series B ESOP Convertible Preferred Stock, which was acquired with $75,000,000 borrowed by the ESOP (Notes G and H).

At September 30, 1994 and 1993, the projected benefit obligations included accumulated benefit obligations of $132,823,000 and $122,065,000, respectively, of which $123,694,000 and $111,240,000 were vested, respectively.

The following weighted average rates were used in the calculations:

	Years Ended September 30	
	1994	1993
Discount rate	8.0%	7.2%
Expected rate of return on plan assets	9.0%	7.9%
Assumed rate of increase in compensation	5.5%	5.3%

POSTRETIREMENT BENEFITS The Company has defined benefit postretirement plans that provide certain health care and life insurance benefits for retired employees. Substantially all U.S. employees become eligible for these benefits if they have met certain age and service requirements at retirement. The Company funds the plans as claims or insurance premiums are incurred.

Effective October 1, 1992, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires accrual of these benefits during the years an employee provides service. Prior to October 1, 1992, the expense for these benefits was recognized as actual claims or insurance premiums

were incurred. As of October 1, 1992, the cumulative effect of adopting this change was a $43,200,000 after-tax charge. In addition to the one-time charge upon adoption, the effect of the change in accounting increased 1993 pre-tax expense by $800,000, resulting in a pre-tax net periodic postretirement benefit cost of $5,500,000.

Net periodic postretirement benefit cost was comprised of the following components:

	Years Ended September 30	
Dollars in thousands	1994	1993
Current year service cost.	$ 709	$ 580
Interest accrued on postretirement benefit obligations.	4,776	4,920
Net amortization	221	--
Net periodic postretirement benefit cost	$5,706	$5,500

The following table sets forth the funded status of the postretirement benefit plans:

	Years ended September 30	
Dollars in thousands	1994	1993
Accumulated postretirement benefit obligations:		
Retirees	$ 51,489	$ 59,196
Fully eligible active plan participants. . .	4,716	5,122
Other active plan participants	10,712	11,836
	66,917	76,154
Plan assets at fair value.	--	--
Excess of accumulated postretirement benefit obligations over plan assets	(66,917)	(76,154)
Unrecognized net (gain) loss	(81)	9,942
Unrecognized prior service cost.	(85)	--
Accrued postretirement benefit cost.	$(67,083)	$(66,212)

Health care cost trend rate assumptions have a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 1994 and 1993 by approximately $5,400,000 and $5,900,000, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the years then ended by approximately $500,000 and $400,000, respectively.

The following rates were used in the calculations:

	Years Ended September 30	
	1994	1993
Discount rate	8.3%	6.5%
Assumed rate of increase in compensation.	6.0%	5.0%
Assumed annual rate of increase in health care benefits	11.5%	12.5%
Annual decrease in assumed rate of increase in health care benefits. . . .	1.0%	1.0%
Assumed ultimate trend rate	6.3%	4.5%
Assumed ultimate trend rate to be reached in year	2001	2002

The cost of retiree health care and life insurance benefits paid as claims or insurance premiums was $3,965,000 in 1992.

J. PROFIT SHARING & INCENTIVE COMPENSATION PLANS

The Company has a Profit Sharing and Savings Plan (PSSP) which covers salaried employees of most U.S. operations. Accrued contributions of the Company, which are based upon an annual return on stockholders' equity, were $5,707,000, $1,178,000, and $2,269,000 in 1994, 1993 and 1992, respectively. During 1994, the Company amended its PSSP effective October 1, 1994. Under the amended plan, now called the Cabot Retirement Incentive Savings Plan (CRISP), the Company will make matching contributions of at least 75% of a participant's contribution, of up to 7.5% of the participant's eligible compensation.

The Company has an Equity Incentive Plan for key management employees. Under this plan, participants may be granted various types of stock and stock-based awards. During 1988-1991, the awards granted consisted of stock options, performance appreciation rights (PARs) and tandem units which may be exercised as stock options or PARs. These awards were granted at fair market value of Cabot's stock at date of grant, and vest ratably on each of the next four anniversaries of the award. In 1992 through 1994, awards consisted of common stock of the Company which employees could elect to receive in the form of restricted stock purchased at a price equal to 50% of the fair market value on the date of the award, nonqualified stock options at fair market value of Cabot's stock on the date of the award, or a combination of one-half of each. The awards vest on the third anniversary of the award.

During 1992, the Company purchased previously awarded PARs from employees electing to accept a repurchase offer. The purchase price for the PARs was determined using a valuation method

that established the value of each PAR considering, among other factors, the date awarded, the time normally taken to exercise, the market price of Cabot's common stock and the level of the Standard & Poor's Industrials index at the date of issue of the PAR. The Company repurchased 547,316 PARs at a cost of approximately $3,800,000. The following table summarizes the plan's activity from September 30, 1991 through September 30, 1994:

	Stock Options Tandem Options and Restricted Stock	PARs	Price Range
September 30, 1991. . .	1,865,472	604,494	$ 12.63 to $20.94
Granted	408,712	--	$ 15.44 to $23.38
Exercised	(182,452)	(548,416)	$ 14.00 to $20.94
Cancelled	(119,810)	(50,804)	$ 15.19 to $20.94
September 30, 1992. . .	1,971,922	5,274	$ 12.63 to $23.38
Granted	431,870	--	$ 21.94 to $22.82
Exercised	(100,086)	(1,120)	$ 14.63 to $20.94
Cancelled	(75,428)	--	$ 14.00 to $23.38
September 30, 1993. . .	2,228,278	4,154	$ 12.63 to $23.38
Granted	484,090	--	$ 24.56 to $27.94
Exercised	(110,202)	(950)	$ 12.63 to $20.94
Cancelled	(139,420)	--	$ 15.19 to $24.56
September 30, 1994. . .	2,462,746	3,204	$ 12.63 to $27.94

The options in the table above expire at various dates through September 2002. Options for 1,108,978 shares were exercisable at prices ranging from $12.63 to $23.38 at September 30, 1994. The Company had reserved 3,635,336 shares of common stock for issuance under the plan at September 30, 1994. There were 790,594 shares available for future grants at September 30, 1994.

The Company has an Incentive Stock Plan for certain key management employees under which 114,000 shares of Cabot common stock have been authorized to be issued, and have been awarded, to plan participants. At September 30, 1994, all shares were vested under this plan. No awards were made in 1992, 1993 or 1994.

K. INCOME TAXES

In the fourth quarter of 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," retroactive to October 1, 1992. The Company recognized the cumulative effect of adoption in its restated first quarter, resulting in an increase to net income for the year ended September 30, 1993 of approximately $17.1 million.

Income before income taxes and the cumulative effect of accounting changes was as follows:

	Years ended September 30		
Dollars in thousands	1994	1993	1992
Domestic.	$ 30,388	$32,780	$ 56,964
Foreign	87,937	35,120	59,635
Total	$118,325	$67,900	$116,599

A summary of taxes on income is as follows:

	Years ended September 30		
Dollars in thousands	1994	1993	1992
U.S. federal and state:			
Current	$(3,131)	$16,798	$10,865
Deferred.	15,644	(5,305)	14,720
Total	$12,513	$11,493	$25,585
Foreign:			
Current	$21,010	$26,077	$20,002
Deferred.	11,440	(6,871)	8,962
Total	$32,450	$19,206	$28,964
Total	$44,963	$30,699	$54,549

The provision for income taxes at the Company's effective tax rate

differed from the provision for income taxes at the statutory rate as follows:

Dollars in thousands	Years ended September 30 1994	1993	1992
Computed tax expense at the expected statutory rate	$41,414	$23,596	$39,644
Foreign income:			
Impact of taxation at different rates, repatriation and other	(257)	2,412	3,423
Impact of foreign losses for which a current tax benefit is not available	701	2,158	4,023
State taxes, net of federal effect	2,655	407	2,105
Amortization of assets not deductible	--	(19)	592
Foreign sales corporation	(1,158)	(1,000)	(650)
Increase in U.S. tax rate	--	(812)	--
Other, net	1,608	3,957	5,412
Provision for income taxes	$44,963	$30,699	$54,549

Significant components of deferred income taxes were as follows:

Dollars in thousands	September 30 1994	1993
Deferred tax assets:		
Property, plant and equipment	$ 23,257	$ 24,698
Pension and other benefits	43,572	40,199
Environmental issues	14,761	13,207
Restructuring charges	10,337	13,964
Deferred revenue and accrued gas contracts costs	2,738	16,899
State and local taxes	1,804	6,097
Net operating loss and other tax carryforwards	14,568	13,073
Other	25,166	20,943
Subtotal	136,203	149,080
Valuation allowances	(14,915)	(10,516)
Total deferred tax assets	$121,288	$138,564
Deferred tax liabilities:		
Property, plant and equipment	$ 72,379	$ 68,560
Pension and other benefits	10,967	7,412
Restructuring charges	1,960	2,381
Marketable securities	17,644	--
Other	117,336	100,327
Total deferred tax liabilities	$220,286	$178,680

The valuation allowance for deferred tax assets increased $4,399,000 in 1994. The increase relates primarily to the consolidation of a previously unconsolidated subsidiary during the current year. The major component of the valuation allowance at September 30, 1994 relates to the uncertainty of realizing certain foreign deferred tax assets.

For 1992, the deferred tax provision, computed in accordance with Accounting Principles Board Opinion No. 11, represents the effects of timing differences between financial and income tax reporting. The significant components giving rise to the timing differences for the year ended September 30, 1992 were:

Dollars in thousands	
Depreciation and amortization	$ 5,832
Sale of investments	2,455
Undistributed earnings from affiliates	2,247
Accrued reorganization	2,166
Inventory items	374
Deferred revenue and accrued gas contracts costs	342
Pension and other benefits	(308)
Environmental issues	(530)
Other, net	11,104
Total deferred provision	$23,682

Approximately $43,889,000 of net operating losses and other tax carryforwards remained at September 30, 1994, $27,517,000 of which expire in the years 1995 through 1999, and $16,372,000 of which can be carried forward indefinitely. The benefits of these carryforwards are dependent on taxable income during the carryforward period in those foreign jurisdictions wherein they arose, and accordingly, a valuation allowance has been provided where the Company has determined that it is more likely than not that the carryforwards will not be utilized.

United States income tax returns for fiscal years 1990 and 1991 are currently under examination by the Internal Revenue Service. Assessments, if any, are not expected to have a material adverse effect on the financial statements.

Provision has not been made for U.S. income taxes or foreign withholding taxes on approximately $130,000,000 of undistributed earnings of foreign subsidiaries as these earnings are considered indefinitely reinvested. These earnings could become subject to U.S. income taxes and foreign withholding taxes (subject to a reduction for foreign tax credits) if they were remitted as dividends, if foreign earnings were loaned to the Company or a U.S. subsidiary, or if the Company should sell its stock in the subsidiaries. However, the Company believes that U.S. foreign tax credits would largely eliminate any U.S. income tax and offset any foreign withholding tax that might otherwise be due.

Cash paid for income taxes during 1994, 1993 and 1992 totalled $23,855,000, $25,934,000 and $28,518,000, respectively.

L. COMMITMENTS & CONTINGENCIES

LEASE COMMITMENTS The Company leases certain transportation vehicles, warehouse facilities, office space, machinery and equipment under cancelable and non-cancelable leases, most of which expire within 10 years and may be renewed by the Company. Rent expense under such arrangements totalled $17,638,000, $14,514,000 and $14,798,000 in 1994, 1993 and 1992, respectively. Future minimum rental commitments under non-cancelable leases are as follows:

Dollars in thousands	
1995	$ 16,044
1996	13,390
1997	11,905
1998	10,242
1999	10,025
2000 and thereafter	46,822
	$108,428

CONTINGENCIES The Company is a defendant in various lawsuits and environmental proceedings wherein substantial amounts are claimed.

Fumed silica supplied by Cabot was used by others in the manufacture of silicone breast implant envelopes. There are currently pending more than 10,000 lawsuits in state and federal courts alleging injuries arising from the use of silicone breast implants. The federal cases have been consolidated in the Multi-District Litigation pending in the United States District Court for the Northern District of Alabama. Generally, the various state cases have been similarly consolidated in each jurisdiction. In addition, arrangements have been made for consolidated discovery in all actions.

A so-called "global settlement" between certain classes of plaintiffs who have not "opted out" and certain defendants (not including the Company) has been approved by the United States District Court for the Northern District of Alabama. Plaintiffs who have opted out of the settlement are now free to proceed with their own claims.

The Company has been named as a defendant in fewer than 100 breast implant lawsuits. The Company has also been dismissed as a defendant from a number of those suits, without any settlement payments, and has won summary judgment (subject to appeal) in others. The Company believes that it has adequate defenses in each of the lawsuits in which it is a defendant. However, the scientific, legal and societal issues raised by these cases are complex and the outcome is uncertain. The Company, therefore, cannot predict with any assurance the course this litigation will take, the number of cases to which the Company will be added as a defendant, the amount of damages, if any, that may be assessed against the Company or the defense costs that will be incurred by the Company.

The Company has been named as one of many defendants in a lawsuit, now pending in Federal District Court in Oklahoma, brought by a large group of plaintiffs alleging personal injury due to exposure to and contact with certain chemicals and materials allegedly manufactured by the defendants. Plaintiffs seek actual and punitive damages against all defendants, jointly and severally, in the aggregate amount of $1.25 billion. The Company is currently investigating this matter to ascertain what, if any, products it manufactured of any relevance to this litigation.

As of September 30, 1994, approximately $44,000,000 was accrued for environmental proceedings, primarily relating to divested businesses. The amount represents the Company's current best estimate of costs likely to be incurred based on its analysis of the extent of cleanup required, the methods available, abilities of other responsible parties to contribute and its interpretation of applicable laws and regulations at each site. Included in Other Charges are environmental expenses of $15,000,000, $1,000,000 and $4,400,000 in 1994, 1993 and 1992, respectively.

In the opinion of the Company, although final disposition of all of its suits and claims may impact the Company's financial statements in a particular period, they will not, in the aggregate, have a material adverse effect on the Company's financial position.

M. FINANCIAL INSTRUMENTS & CONCENTRATIONS OF CREDIT RISK

FINANCIAL INSTRUMENTS The Company enters into forward foreign currency exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its global contractual exposures. The effect of this practice is to minimize variability in the Company's operating results arising from foreign exchange rate movements. The Company does not engage in foreign currency speculation. The Company's foreign exchange contracts do not subject the Company to risk due to exchange rate movements because gains and losses on these contracts offset losses and gains on the assets, liabilities, and transactions being hedged. The Company had $10,453,000 of foreign exchange contracts outstanding at September 30, 1994. The fair value of these contracts, which was the replacement value, represented a net unrealized loss of approximately $171,000 as of September 30, 1994, based on dealer quotes. The forward exchange contracts generally have maturities which do not exceed six months. See Note A for information on the Company's accounting policy on

forward exchange contract gains and losses.

CONCENTRATIONS OF CREDIT RISK Financial instruments which subject the Company to concentrations of credit risk consist principally of trade receivables. International tire manufacturers comprise a significant portion of the Company's carbon black customer base. The Company had trade receivables of approximately $52,641,000 and $46,233,000 from international tire manufacturers at September 30, 1994 and 1993, respectively. Although the Company's exposure to credit risk associated with nonpayment by tire manufacturers is affected by conditions or occurrences within the tire industry, trade receivables from the international tire manufacturers were current at September 30, 1994, and no manufacturer exceeded 7% of the Company's receivables at that date.

N. FINANCIAL INFORMATION BY INDUSTRY SEGMENT & GEOGRAPHIC AREA

Financial information by industry segment for 1990 through 1994, as set forth on page 19, is an integral part of these financial statements. Energy segment sales include sales to a major customer in the amount of $272,245,000, $265,800,000 and $242,600,000, in 1994, 1993 and 1992, respectively. Transfers between geographic areas are recorded at cost plus mark-up or at market.

Financial information by geographic area is as follows:

	Years ended September 30		
Dollars in millions	1994	1993	1992
SALES			
United States:			
Sales, excluding export sales			
Specialty Chemicals and Materials.	$ 563.2	$ 521.4	$ 487.9
Energy	438.7	422.5	376.0
Export sales	85.0	73.9	65.5
	1,086.9	1,017.8	929.4
Europe	503.8	512.3	562.8
Other areas.	177.1	156.9	154.3
Total.	1,767.8	1,687.0	1,646.5
Less: Eliminations	88.0	72.7	89.5
Net sales.	$1,679.8	$1,614.3	$1,557.0
OPERATING PROFIT			
United States:			
Specialty Chemicals and Materials (a).	$ 108.5	$ 105.8	$ 99.9
Energy	18.4	16.7	18.2
Europe (a)	49.0	(21.4)	46.5
Other areas (a).	8.4	17.3	8.6
Total operating profit	184.3	118.4	173.2
Interest expense	41.7	44.0	41.7
Unallocated corporate expenses, net (b).	23.4	20.7	14.9
Adjustment of reserves related to divested businesses	0.8	(14.2)	--
Income before income taxes	$ 118.4	$ 67.9	$ 116.6
IDENTIFIABLE ASSETS			
United States:			
Specialty Chemicals and Materials.	$ 482.7	$ 480.9	$ 464.5
Energy	127.4	116.1	132.6
Europe	444.3	437.2	533.3
Other areas.	245.2	199.3	193.4
General corporate (c).	231.0	89.3	79.9
Equity in affiliates - United States.	--	63.6	59.8
Equity in affiliates - Europe	22.3	21.8	16.9
Equity in affiliates - other areas.	63.9	81.3	74.1
Total.	$1,616.8	$1,489.5	$1,554.5

(a) Operating profit in 1993 included losses from restructuring of the Specialty Chemicals and Materials Group of $2.9 in the United States, $43.8 in Europe and $0.7 in other areas.
(b) Unallocated corporate expenses, net, include corporate management costs reduced by investment income.
(c) General corporate assets include cash, temporary cash investments, investments other than equity basis, income taxes receivable, deferred taxes and headquarters' assets.

O. UNAUDITED QUARTERLY FINANCIAL INFORMATION

Unaudited financial results by quarter for the fiscal years ended September 30, 1994 and 1993 are summarized below and should be read in conjunction with Management's Discussion and Analysis of Results of Operations and Financial Condition.

Dollars in millions, except per share amounts	Dec	March	June	Sept	Year
FISCAL 1994					
Net sales.	$398.5	$434.9	$428.8	$417.7	$1,679.8
Cost of sales.	$296.8	$319.3	$312.3	$305.9	$1,234.3
Net income	$ 16.0	$ 22.3	$ 22.0	$ 18.4(a)	$ 78.7
Income applicable to common shares.	$ 15.1	$ 21.4	$ 21.1	$ 17.5	$ 75.1
Income per common share (primary) . . .	$ 0.39	$ 0.56	$ 0.55	$ 0.45	$ 1.96
FISCAL 1993					
Net sales.	$396.1	$407.6	$418.8	$391.9	$1,614.3
Cost of sales.	$300.3	$306.0	$311.6	$293.8	$1,211.7
Income (loss):					
Income (loss) before cumulative effect of accounting changes .	$ 11.9	$ 14.0	$ 18.4	$ (6.9)(b)	$ 37.4
Cumulative effect of accounting changes .	$(26.1)(c)	--	--	--	$ (26.1)
Net income (loss). . . .	$(14.2)	$ 14.0	$ 18.4	$ (6.9)	$ 11.3
Income (loss) applicable to common shares . . .	$(15.1)	$ 13.1	$ 17.5	$ (7.8)	$ 7.7
Income (loss) per common share (primary):					
Operations	$ 0.30	$ 0.35	$ 0.47	$(0.21)	$ 0.90
Cumulative effect of accounting changes .	$(0.70)	--	--	--	$ (0.70)
Income (loss) per common share (primary). . . .	$(0.40)	$ 0.35	$ 0.47	$(0.21)	$ 0.20

(a) Includes $6.8 after-tax charge for environmental reserves and $6.3 after-tax gain on resolution of matters from divested energy businesses.
(b) Includes $31.1 after-tax restructuring charge and $8.7 after-tax gain on resolution of matters from divested energy businesses.
(c) During the fourth quarter of 1993, the Company adopted two new accounting standards related to postretirement benefits and income taxes. Both of these standards were adopted effective October 1, 1992, and as a result, the first quarter was restated.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements were prepared by Cabot Corporation in conformity with generally accepted accounting principles. The Company's management is responsible for the integrity of these statements and of the data, estimates and judgments that underlie them.

Cabot Corporation maintains a system of internal accounting controls designed to provide reasonable assurance that the Company's assets are safeguarded from loss or unauthorized use, that transactions are properly authorized and recorded, and that financial records are reliable and adequate for public reporting. The standard of reasonable assurance is based on management's judgment that the cost of such controls should not exceed their associated benefits. The system is monitored and evaluated on an ongoing basis by management in conjunction with the Company's internal audit staff, independent accountants, and the Audit Committee of the Board of Directors.

Coopers & Lybrand L. L. P., independent accountants, were engaged by the Company to audit these financial statements. Their audit was conducted in accordance with generally accepted auditing standards and included a study and evaluation of the Company's system of internal accounting controls, selected tests of that system, and related audit procedures as they consider necessary to render their opinion.

The Audit Committee of the Board of Directors provides general oversight responsibility for the financial statements. Composed entirely of Directors who are not employees of the Company, the Committee meets periodically with Company management, internal auditors and the independent accountants to review the quality of the financial reporting and internal controls as well as the results of the auditing efforts. The internal auditors and independent accountants have full and direct access to the Audit Committee, with and without management present.

/s/ SAMUEL W. BODMAN
Samuel W. Bodman
Chief Executive Officer

/s/ JOHN G.L. CABOT
John G.L. Cabot
Chief Financial Officer

/s/ WILLIAM R. THOMPSON
William R. Thompson
Chief Accounting Officer

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE DIRECTORS AND STOCKHOLDERS OF CABOT CORPORATION We have audited the accompanying consolidated balance sheets of Cabot Corporation as of September 30, 1994 and 1993 and the related consolidated statements of income and cash flows for each of the three fiscal years in the period ended September 30, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to 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. 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 consolidated financial position of Cabot Corporation as of September 30, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended September 30, 1994, in conformity with generally accepted accounting principles.

As discussed in Note D to the Consolidated Financial Statements, in fiscal 1994 the Company changed its method of accounting for certain debt and equity securities. As discussed in Notes I and K to the Consolidated Financial Statements, the Company changed its methods of accounting for postretirement benefits other than pensions and for income taxes, respectively, in fiscal 1993.

/s/ COOPERS & LYBRAND L.L.P.

Boston, Massachusetts
November 1, 1994

EXHIBIT 21

Cabot Corporation

Significant Subsidiaries

As of September 30, 1994

Name	Jurisdiction of Incorporation
Cabot Carbon Limited	England
Cabot G.B. Limited	England
Cabot B.V.	Netherlands
Cabot Brasil Industria e Comercio Limitada	Brazil
Cabot International Capital Corporation	Delaware
Cabot Safety Corporation	Delaware

EXHIBIT 24(a)

POWER OF ATTORNEY

We, the undersigned directors and officers of Cabot Corporation, hereby severally constitute and appoint Robert Rothberg and Charles D. Gerlinger, and each of them, our true and lawful attorneys with full power to (i) sign for us and in our names in the capacities indicated below Annual Reports on Form 10-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 of Cabot Corporation for the fiscal year ended September 30, 1994, and subsequent years, and any and all amendments thereto, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or either of them, to said Reports and to any and all amendments to said Reports; and (ii) to file such Reports and amendments with the Securities and Exchange Commission on behalf of Cabot Corporation.

WITNESS our hands and common seal on the date set forth below.

Signature	Title	Date
/S/ Samuel W. Bodman Samuel W. Bodman	Director, Chairman and President (Chief Executive Officer)	November 11, 1994
/S/ John G.L. Cabot John G.L. Cabot	Director, Vice Chairman and Chief Financial Officer	November 11, 1994
/S/ William R. Thompson William R. Thompson	Vice President and Controller (Principal Accounting Officer)	November 11, 1994
/S/ Damaris Ames Damaris Ames	Director	November 11, 1994
/S/ Jane C. Bradley Jane C. Bradley	Director	November 11, 1994
/S/ Kennett F. Burnes Kennett F. Burnes	Director	November 11, 1994

Signature	Title	Date
/S/ Robert A. Charpie Robert A. Charpie	Director	November 11, 1994
/S/ John D. Curtin, Jr. John D. Curtin, Jr.	Director	November 11, 1994
/S/ Robert P. Henderson Robert P. Henderson	Director	November 11, 1994
/S/ Arnold S. Hiatt Arnold S. Hiatt	Director	November 11, 1994
Gerrit Jeelof	Director	November 11, 1994
/S/ John H. McArthur John H. McArthur	Director	November 11, 1994
/S/ John F. O'Brien John F. O'Brien	Director	November 11, 1994
/S/ David V. Ragone David V. Ragone	Director	November 11, 1994
/S/ Charles P. Siess, Jr. Charles P. Siess, Jr.	Director	November 11, 1994
/S/ Morris Tanenbaum Morris Tanenbaum	Director	November 11, 1994
/S/ Lydia W. Thomas Lydia W. Thomas	Director	November 11, 1994

EXHIBIT 24(b)

CERTIFICATE

I, Charles D. Gerlinger, Secretary of CABOT CORPORATION, a corporation organized under the laws of the State of Delaware, hereby certify that the Board of Directors of said Corporation, at a meeting duly called and held on October 14, 1994, adopted the following vote:

> VOTED: That the Chairman of the Board and President, the Vice Chairman of the Board, any Vice President, the Controller, and the Corporate Secretary be, and each of them hereby is, authorized to execute and cause to be filed on behalf of this Corporation with the Securities and Exchange Commission and with the New York Stock Exchange, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, its Annual Report on Form 10-K for the fiscal year ended September 30, 1994, and any and all amendments and supplements thereto.

I further certify that the foregoing vote has not been rescinded and remains in full force and effect as of the date hereof.

IN WITNESS WHEREOF I have hereto set my hand and the seal of the Corporation this 13th day of December, 1994.

ATTEST:

/S/ Charles D. Gerlinger

Charles D. Gerlinger
Secretary

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED FINANCIAL STATEMENTS OF CABOT CORPORATION FOR THE YEAR ENDED
SEPTEMBER 30, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.

1,000
US DOLLARS

YEAR
SEP-30-1994
OCT-01-1993
SEP-30-1994
1.
80,917
0
280,484
7,697
216,882
606,388
1,381,576
687,068
1,616,756
475,115
307,828
67,775
0
75,336
920,725
1,616,756
1,679,819
1,686,561
1,234,272
1,234,272
70,227
0
41,668
118,325
44,963
78,691
0
0
0
78,691
$1.96
$1.84