

OLIN CORP  
Form DEF 14A  
March 02, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

**OLIN CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

Notes:

Reg. Section 240.14a-101.

SEC 1913 (3-99)

190 CARONDELET PLAZA, SUITE 1530, CLAYTON, MISSOURI 63105-3443

March 9, 2007

Dear Olin Shareholder:

We cordially invite you to attend our 2007 annual meeting of shareholders.

This booklet includes the notice and proxy statement, which describes the business we will conduct at the meeting and provides information about Olin that you should consider when you vote your shares. We have not planned a communications segment or any multimedia presentations for the 2007 annual meeting.

Mr. Donald W. Griffin, a Class I director, will retire from Olin's board upon the expiration of his current term on April 25, 2007. The board thanks Mr. Griffin for his past contributions and extends its best wishes in his future endeavors.

Whether or not you plan to attend, it is important that your shares are represented and voted at the annual meeting. If you do not plan to attend the annual meeting, you may vote your shares on the Internet, by telephone or by completing and returning the proxy card in the enclosed envelope. If you plan to attend the annual meeting, please bring the lower half of your proxy card to use as your admission ticket for the meeting.

At last year's annual meeting more than 92% of our shares were represented in person or by proxy. We hope for the same high level of representation at this year's meeting and we urge you to vote as soon as possible.

Sincerely,

**Joseph D. Rupp**

*Chairman, President and*

*Chief Executive Officer*

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**YOUR VOTE IS IMPORTANT**

**We urge you to promptly vote the shares on the Internet, by telephone or by completing, signing, dating and returning your proxy card in the enclosed envelope.**

**OLIN CORPORATION**

**Notice of Annual Meeting of Shareholders**

**Time:** 8:30 a.m. (Central Daylight Time)

**Date:** Thursday, April 26, 2007

**Place:** The Crowne Plaza Hotel  
7750 Carondelet Avenue  
Clayton, Missouri 63105

**Purpose:** To consider and act upon the following:

- (1) The election of three directors to serve for three-year terms expiring in 2010.
- (2) Ratification of the appointment of independent registered public accounting firm for 2007.
- (3) Such other business that is properly presented at the meeting.

**Who May Vote:** You may vote if you were the record owner of Olin common stock at the close of business on February 28, 2007.

By Order of the Board of Directors:

**George H. Pain**

*Secretary*

Clayton, Missouri

March 9, 2007

**OLIN CORPORATION**

**PROXY STATEMENT**

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**ANNUAL MEETING OF SHAREHOLDERS**

**To be Held April 26, 2007**

**GENERAL QUESTIONS**

***Why did I receive this proxy statement?***

You received this proxy statement because you owned shares of Olin common stock, par value \$1 per share, which we sometimes refer to as common stock, at the close of business on February 28, 2007. Olin's board of directors is asking you to vote at the 2007 annual meeting for each of the director nominees identified in Item 1 and for Item 2 listed in the notice of the annual meeting of shareholders. This proxy statement describes the matters on which we would like you to vote and provides information so that you can make an informed decision.

***When was this proxy material mailed to shareholders?***

We began to mail the proxy statement and form of proxy to shareholders on or about March 9, 2007.

***What if I have questions?***

If you have questions, please write them down and send them to the Secretary at Olin's principal executive office at 190 Carondelet Plaza, Suite 1530, Clayton, MO 63105-3443.

***What will I be voting on?***

You will be voting on:

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- (1) the election of three directors,
- (2) the ratification of KPMG LLP as Olin's independent registered public accounting firm for 2007, and
- (3) any other business properly presented at the annual meeting.

### ***Could other matters be voted on at the annual meeting?***

As of March 9, 2007, the items listed in the preceding question are the only matters being considered. If any other matters are properly presented for action, the persons named in the accompanying form of proxy will vote the proxy in accordance with their best judgment and opinion as to what is in the best interests of Olin.

### ***How does the Board recommend I vote on the proposals?***

The board recommends a vote for each of the director nominees identified in Item 1 and for Item 2.



## **VOTING**

### ***Who can vote?***

All shareholders of record at the close of business on February 28, 2007 are entitled to vote at the annual meeting.

### ***How many votes can be cast by all shareholders?***

At the close of business on February 28, 2007, the record date for voting, we had outstanding 73,643,645 shares of common stock. Each shareholder on the record date may cast one vote for each full share owned. The presence in person or by proxy of the holders of a majority of such shares constitutes a quorum.

### ***How do I vote?***

You may vote either in person at the annual meeting or by proxy. To vote by proxy, you must select one of the following options:

- **Vote by telephone (telephone voting instructions are printed on the proxy card):**
  - Call the toll-free voting telephone number: 1-866-540-5760.
  - Have the proxy card in hand.
  - Follow and comply with the recorded instructions by the applicable deadline (11:59 p.m. Eastern Daylight Time on April 25, 2007 for shareholders and 11:59 Eastern Daylight Time on April 23, 2007 for participants in the Olin Corporation and Arch Chemicals, Inc. Contributing Employee Ownership Plans (CEOP).
  - If you are not the shareholder of record and hold shares through a custodian, broker or other agent, such agent may have special voting instructions that you should follow.
  
- **Vote on the Internet** (Internet voting instructions are printed on the proxy card):
  - Access <http://www.proxyvoting.com/oln>.
  - Have the proxy card in hand.
  - Follow the instructions provided on the site.
  
  - Submit the electronic proxy before the required deadline (11:59 p.m. Eastern Daylight Time on April 25, 2007 for shareholders and 11:59 Eastern Daylight Time on April 23, 2007 for CEOP participants).
  - If you are not the shareholder of record but hold shares through a custodian, broker or other agent, such agent may have special voting instructions that you should follow.

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- **Complete the enclosed proxy card:**

- Complete all of the required information on the proxy card.
- Date and sign the proxy card.
- Return the proxy card in the enclosed postage-paid envelope. We must receive the proxy card not later than the day before the annual meeting and for CEOP participants before 11:59 p.m. Eastern Daylight Time on April 23, 2007 for your proxy to be valid and for your vote to count.
- If you are not the shareholder of record and hold shares through a custodian, broker or other agent, such agent may have special voting instructions that you should follow.

If you vote in a timely manner by the Internet or telephone, you do **not** have to return the proxy card for your vote to count. The Internet and telephone voting procedures appear on the bottom of the enclosed proxy card. You may also log on to change your vote or to confirm that your vote has been properly recorded.

If you want to vote in person at the annual meeting, and you own your common stock through a custodian, broker or other agent, you must obtain a proxy from that party in their capacity as owner of record for your shares and bring the proxy to the annual meeting.

***How are votes counted?***

If you specifically mark the proxy card (or vote by telephone or Internet) and indicate how you want your vote to be cast regarding any matter, your directions will be followed. If you submit the proxy card but do not specifically mark it with your instructions as to how you want to vote, the proxy will be voted for the election of the directors and in favor of Item 2 listed in the proxy.

Mellon Investor Services LLC tabulates the shareholder votes and provides an independent inspector of election as part of its services as our registrar and transfer agent. If you submit a proxy card marked **abstain** or **withhold** on any item, your shares will not be voted on the item so marked and your vote will not be included in determining the number of votes cast for that matter.

***Can I change my vote?***

Yes. Even if you vote by Internet or telephone or submit a proxy card with your voting instructions, you may revoke or change your vote at the meeting any time by:

- casting a new vote on the Internet or by telephone,
- submitting another written proxy with a later date,
- sending a written notice of the change in your voting instructions to the Secretary if received before the annual meeting, or
- revoking the grant of a previously submitted proxy and voting in person at the annual meeting. Please note that your attendance at the annual meeting itself will not revoke a proxy.

***When are the votes due?***

Proxies submitted by shareholders by Internet or by telephone will be counted in the vote only if they are received by 11:59 p.m., Eastern Daylight Time on April 25, 2007. Shares represented by proxies on the enclosed proxy card will be counted in the vote at the annual meeting only if we **receive** your proxy card by April 25, 2007. Proxies submitted by CEOP participants will be counted in the vote only if they are received by 11:59 p.m., Eastern Daylight Time on April 23, 2007.

***How do I vote my shares held in the Olin Contributing Employee Ownership Plan or the Arch Chemicals, Inc. Contributing Employee Ownership Plan?***

On February 28, 2007, the Olin Corporation Contributing Employee Ownership Plan (Olin CEOP) held 6,091,475 shares of our common stock and the Arch Chemicals, Inc. Contributing Employee Ownership Plan (Arch CEOP) held 413,439 shares. We sometimes refer to one or both of these plans as the CEOP. State Street Bank and Trust Company serves as the Trustee of the

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Olin GEOP and JPMorgan Chase Bank serves as Trustee of the Arch GEOP. If you are a participant in either GEOP, you may instruct the Trustee of that GEOP how to vote shares of common stock credited to you by voting on the Internet or telephone or by indicating your instructions on your proxy card and returning it to us. The Trustees will vote shares of common stock held in the GEOP for which they do **not** receive voting instructions in the same manner proportionately as they vote the shares of common stock for which they **do** receive instructions.

### *How do I vote my shares held in the Automatic Dividend Reinvestment Plan?*

Mellon Investor Services LLC is our registrar and transfer agent and administers the Automatic Dividend Reinvestment Plan. If you participate in our Automatic Dividend Reinvestment Plan, Mellon will vote any shares of common stock that it holds for you in accordance with your instructions indicated on the proxy card you return or the vote you make by Internet or telephone. If you do not submit a proxy card for your shares of record or vote by Internet or telephone, Mellon Investor Services LLC will not vote your dividend reinvestment shares.

**MISCELLANEOUS**

***Can I contact Board members directly?***

Our audit committee has established the following methods for shareholders to communicate directly with the board and/or its members.

- Mail Letters may be addressed to the board or to an individual board member as follows:  
The Olin Board or (Name of the director)

c/o Office of the Secretary

Olin Corporation

190 Carondelet Plaza, Suite 1530

Clayton, MO 63105

- E-mail You may send an e-mail message to Olin's board at the following address: *directors@olin.com*. In addition, you may send an e-mail message to an individual board member by addressing the e-mail using the first initial of the director's first name combined with his or her last name and the suffix@olin.com.
- Telephone Olin has established a safe and confidential process for reporting, investigating and resolving employee and other third party concerns. Shareholders may also use this Help-Line to communicate with one or more directors on any Olin matter. The Help-Line is operated by an independent, third party service 24 hours a day, 7 days a week. In the United States, the Help-Line can be reached by dialing toll-free 800-362-8348. If outside the United States, callers should call collect 203-750-3100. You may also access the Help-Line on the Internet at [www.olinhelp.com](http://www.olinhelp.com).

***Who pays for this proxy solicitation?***

Olin will pay the entire expense of this proxy solicitation.

***Who solicits the proxies and what is the cost of this proxy solicitation?***

Our board is soliciting the proxies. We have hired The Proxy Advisory Group, LLC (Proxy Advisory Group), a proxy solicitation firm, to assist us with the distribution of proxy materials and vote solicitation. We will pay Proxy Advisory Group approximately \$7,500 for its services and will reimburse Proxy Advisory Group for payments made to brokers and other nominees for their expenses in forwarding proxy solicitation materials.

***How will the proxies be solicited?***

Proxy Advisory Group will solicit proxies by personal interview, mail, and telephone, and will request brokerage houses and other custodians, brokers and other agents to forward proxy solicitation materials to the beneficial owners of Olin common stock for whom they hold shares. Our directors, officers and employees may also solicit proxies by personal interview and telephone.

***How can I submit a shareholder proposal at the 2008 annual meeting?***

If you want to present a proposal to be considered for inclusion in the 2008 proxy statement for the 2008 annual meeting, you must deliver the proposal in writing to the Secretary at Olin Corporation, 190 Carondelet Plaza, Suite 1530, Clayton, MO 63105 no later than November 10, 2007. You must then present your proposal in person at the 2008 annual meeting.

If you want to present a proposal for consideration at the 2008 annual meeting without including your proposal in the proxy statement, you must deliver a written notice (containing the information required by Olin's By-laws) to the Secretary at Olin Corporation, 190 Carondelet Plaza, Suite 1530, Clayton, MO 63105 no later than January 28, 2008. You must also present your proposal in person at the 2008 annual meeting.

***How can I directly nominate a director for election to the board at the 2008 annual meeting?***

According to Olin's By-laws, if you are a shareholder you may directly nominate an individual for election to the board if you deliver a written notice of the nomination to Olin's Secretary no later than January 28, 2008. Your notice must include:

- your name and address;
- the name and address of the person you are nominating;
- a statement that you are entitled to vote at the annual meeting and intend to appear at the annual meeting in person, or by proxy, to make the nomination;
- a description of arrangements or understandings between you and others, if any, pursuant to which you are making the nomination;
- such other information about the nominee as would be required in a proxy statement filed under the Securities and Exchange Commission (SEC) proxy rules; and
- the written consent of the nominee to actually serve as a director, if elected.

Although a shareholder may directly nominate an individual for election as a director, the board is not required to include such nominee in the proxy statement.

***How can I recommend a Director for the slate of candidates to be nominated by Olin's Board for election at the 2008 annual meeting?***

In addition to directly nominating an individual for election to the board as discussed above, you can suggest that our Directors and Corporate Governance Committee consider a person for inclusion in the slate of candidates to be proposed by the board for election at the 2008 annual meeting. You can recommend a person by delivering written notice to Olin's board no later than October 12, 2007. The notice must include the information described under the heading "What is Olin's Director Nomination Process?" on pages 14 and 15, and must be sent to the address indicated under that heading.

***How can I obtain shareholder information?***

Shareholders may contact Mellon Investor Services LLC, our registrar and transfer agent, who also manages our Automatic Dividend Reinvestment Plan at:

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Mellon Investor Services LLC

480 Washington Boulevard

Jersey City, NJ 07310

Telephone: (800) 306-8594

Internet: [www.melloninvestor.com](http://www.melloninvestor.com)

For technical assistance with this website, call (877) 978-7778 between 9 a.m. - 7 p.m. Eastern Time, Monday - Friday.

Shareholders can sign up for MLink<sup>SM</sup> through Mellon Investor Services LLC for fast, easy and secure access 24 hours a day, 7 days a week for future proxy materials, investment plan statements, tax documents and more. To sign up log on to Investor ServiceDirect<sup>®</sup> at [www.melloninvestor.com/isd](http://www.melloninvestor.com/isd) where step-by-step instructions will prompt you through enrollment or you may call (877) 978-7778 for Investor ServiceDirect<sup>®</sup> customer service.



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**CERTAIN BENEFICIAL OWNERS**

Except as listed below, no person beneficially owned more than five percent of our common stock as of February 28, 2007.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110	7,603,480(a)	10.4
Barclays Global Investors, NA 45 Fremont Street San Francisco, CA 94105	3,753,761(b)	5.2

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- (a) Based on a Schedule 13G filing dated February 12, 2007, as of December 31, 2006: State Street has sole voting power as to 1,606,018 of such shares, shared voting power with the Olin Corporation Contributing Employee Ownership Plan as to 5,997,462 of such shares, and shared dispositive power as to all the shares.
- (b) Based on a Schedule 13G filing dated January 31, 2007, as of December 31, 2006: Barclays Global Investors, NA, (together with Barclays Global Fund Advisors, Barclays Global Investors, Ltd, Barclays Global Investors Japan Trust and Banking Company Limited, and Barclays Global Investors Japan Limited), has sole power to vote or direct the vote as to 3,553,260 of such shares and sole dispositive power as to all the shares.

**ITEM 1 PROPOSAL FOR THE ELECTION OF DIRECTORS**

**CLASS I**

**NOMINEES FOR THREE-YEAR TERMS EXPIRING IN 2010**

C. ROBERT BUNCH, 52, is the former Chairman, President and Chief Executive Officer of Maverick Tube Corporation (a producer of welded tubular steel products used in energy and industrial applications), which was acquired by Tenaris, S.A. in October 2006. Mr. Bunch served as Chairman of Maverick from January 2005 until October 2006 and as President and Chief Executive Officer from October 2004 until October 2006. Mr. Bunch is currently evaluating several possible business ventures. Prior to joining Maverick, he was an independent oil service consultant from 2003 until 2004, and from 2002 to 2003 he served as President and Chief Operating Officer at Input/Output, Inc. (an independent provider of seismic imaging technologies and digital, full-wave imaging solutions for the oil and gas industry). From 1999 to 2002, he served as Vice President and Chief Administrative Officer of Input/Output, Inc. Mr. Bunch earned a bachelor's degree in economics and a master's degree in accounting from Rice University and a juris doctorate degree from the University of Houston. Mr. Bunch serves as Chairman of the board of directors of Pioneer Drilling Company (provider of land contract drilling services to independent and major oil and gas exploration and production companies). Olin director since 2005; member of the Compensation Committee and the Directors and Corporate Governance Committee.

RANDALL W. LARRIMORE, 59, served as the Chairman of Olin from April 2003 through June 2005. From 1997 until his retirement in December 2002, he served as President and Chief Executive Officer of United Stationers Inc. (a wholesale distributor of office products). From 1988 until 1997, he was President and Chief Executive Officer of MasterBrand Industries, Inc., a subsidiary of Fortune Brands, Inc. (a consumer products company). He holds a bachelor's degree from Swarthmore College and an MBA degree from the Harvard Business School. He is a member of the board of directors of Campbell Soup Company (a manufacturer and marketer of soup and other food products). Olin director since 1998; Chair of the Directors and Corporate Governance Committee and a member of the Audit Committee, Compensation Committee and the Executive Committee.

ANTHONY W. RUGGIERO, 65, retired as Executive Vice President and Chief Financial Officer of Olin in May 2005, a position he held since January 1999. He joined Olin in 1995 as Senior Vice President and Chief Financial Officer. Mr. Ruggiero served as Senior Vice President and Chief Financial Officer of The Reader's Digest Association, Inc. (a publisher and direct marketer) from 1990 to 1995. He joined Squibb Corporation (a producer and distributor of medicines) in 1969 and served as Senior Vice President and Chief Financial Officer and a director from 1983 to 1990. He holds a bachelor's degree from Fordham University, an MBA degree from the Columbia Business School, and a Post Master's Certificate in Accounting. He is a member of the Financial Executives Institute, a director and Audit Committee Chair of Carlisle Companies Incorporated (a manufacturer and distributor of products for the roofing, construction, trucking, automotive, food service, industrial equipment, lawn and garden and aircraft manufacturing industries). He is also a former director and Audit Committee Chair of Primex Technologies, Inc. (an ordnance and aerospace contractor). Olin director since 1999.

The board recommends that you vote FOR the election of Mr. Bunch, Mr. Larrimore and Mr. Ruggiero as Class I directors.

***Who are the individuals nominated by the Board to serve as Directors?***

The board of directors is divided into three classes. Each class has a term of office for three years, and the term of each class ends in a different year. Virginia law and Olin's By-laws require that any director elected by the board of directors shall serve only until the next election of directors by the shareholders. The board has nominated Messrs. Bunch, Larrimore and Ruggiero for re-election by the shareholders as Class I directors, with terms expiring in 2010.

***How many votes are required to elect a director?***

A nominee will be elected as a director if a plurality of the votes cast in the election is in favor of the nominee. Abstentions and shares held in street name that are not voted in the election of directors will not be included in determining the number of votes cast.

***Who are the other remaining directors and when are their terms scheduled to expire?***

The terms of the following directors will continue after the 2007 annual meeting, as indicated below.

**CLASS II**

**DIRECTORS WHOSE TERMS CONTINUE UNTIL 2008**

VIRGINIA A. KAMSKY, 53, is Chairman and Chief Executive Officer of Kamsky Associates, Inc. (a merchant banking firm with offices in New York and Beijing, China), a position she has held since 1980. From 2003 to January 2004, she also served as Executive Vice President of Foamex International (a specialty chemicals company). Ms. Kamsky holds a bachelor's degree from Princeton University and attended graduate school at Princeton University's Woodrow Wilson School of Public and International Affairs. She also served as a Trustee of Princeton University. Ms. Kamsky is Chairman of the Board of Trustees of China Institute in America, a member of The Council on Foreign Relations and a Founding Governor of The American Chamber of Commerce in Beijing. She is also a member of The Advisory Board of AmeriCares. Olin director since 2004; member of the Compensation Committee and the Directors and Corporate Governance Committee.

RICHARD M. ROMPALA, 60, retired in July 2005 from his position as Chairman of The Valspar Corporation (a manufacturer and distributor of paints and coatings). Mr. Rompala served as Chairman of Valspar from 1998 until July 2005, Chief Executive Officer from 1995 through February 2005 and President from 1994 through 2001. Prior to 1994, Mr. Rompala served as Group Vice President-Coatings and Resins for two years and Group Vice President-Chemicals for five years at PPG Industries, Inc. (a manufacturer of coatings, glass and industrial and specialty chemicals). Mr. Rompala holds a bachelor's degree in chemistry and a bachelor's degree

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in chemical engineering from Columbia University and an MBA degree from Harvard Business School. Olin director since 1998; Lead Director, Chair of the Compensation Committee and member of the Audit Committee, Directors and Corporate Governance Committee and the Executive Committee.

JOSEPH D. RUPP, 56, is Chairman, President and Chief Executive Officer of Olin. He has served as Chairman of Olin since July 2005 and held the positions of President and Chief Executive Officer since January 2002. Prior to that and since March 2001, he was Executive Vice President, Operations, and was responsible for all Olin business operations including the Brass Division (currently part of the Metals Group), Winchester and Chlor Alkali Products. He joined Olin's Brass Division in 1972 and held a number of positions of increasing responsibility in the Brass Division manufacturing and engineering organization. In 1985, he was appointed Vice President, Manufacturing and Engineering. He was appointed President of Olin Brass and a Corporate Vice President in 1996. He holds a bachelor's degree in metallurgical engineering from the University of Missouri, Rolla. Mr. Rupp serves on the board of directors of Quanex Corporation (a manufacturer of value-added engineered materials and components serving the vehicular products and building products markets). Olin director since 2002; Chair of the Executive Committee.

### CLASS III

#### DIRECTORS WHOSE TERMS CONTINUE UNTIL 2009

DONALD W. BOGUS, 59, is Senior Vice President of The Lubrizol Corporation and President of Noveon, Inc., a wholly-owned subsidiary of The Lubrizol Corporation (a global supplier of high performance specialty products for personal care, coatings, plastics, and various industrial products), a position he has held since June 2004. Mr. Bogus joined Lubrizol in April 2000 as Vice President and his duties included responsibility for the Fluid Technologies for Industry business section and he served as the head of mergers and acquisitions. Prior to joining Lubrizol, he was an Executive Officer at PPG Industries, Inc. (a manufacturer of coatings, glass and industrial and specialty chemicals) where he served as Vice President of Specialty Chemicals and Vice President of Industrial Coatings. Mr. Bogus earned a bachelor's degree in biology and chemistry from Baldwin Wallace College. He serves on the Board of Trustees for Baldwin Wallace College and on their Business Division's Business Advisory Board. Olin director since 2005; member of the Compensation Committee and the Directors and Corporate Governance Committee.

JOHN M. B. O'CONNOR, 52, is Chief Executive Officer of J.H. Whitney Investment Management, LLC (a firm which specializes in Hedge Fund and Fund of Fund strategies with particular emphasis in Asian Markets), a position he has held since June 2004. Previously, Mr. O' Connor was Chairman of JP Morgan Alternative Asset Management, Inc. (part of the investment manager arm of JP Morgan), Chairman of JP Morgan Incubator Strategies, Inc. (a hedge fund investment arm of JP Morgan) and an Executive Partner of JP Morgan Partners (a private equity firm) and responsible for all proprietary and client Hedge Fund and Fund of Fund activities of JP Morgan, in addition to his responsibilities as a Senior Private Equity Manager. He was also a member of the Risk Management Committee of JP Morgan Chase, which is responsible for policy formulation and oversight of all market and credit risk taking activities globally. Mr. O' Connor earned a bachelor's degree in economics from Tulane University and an MBA from Columbia University Graduate School of Business. Mr. O' Connor serves as a Director of the Fund for Public Health in the City of New York (a public-private partnership which manages the City's healthcare preparedness for bioterrorism threats) and is a trustee of the China Institute (the oldest institution in America focused on the U.S.-China relationship). Mr. O' Connor also serves on the boards of the Fund for the City of New York and The Animal Care and Control Center in the City of New York. Olin director since 2006; member of the Audit Committee and the Directors and Corporate Governance Committee.

PHILIP J. SCHULZ, 62, was Managing Partner of PricewaterhouseCoopers (a registered public accounting firm) Hartford, Connecticut office until his retirement in July 2003. Mr. Schulz also served as the Hartford office leader of PwC's Consumer & Industrial Products & Services industry group. He joined Coopers & Lybrand in 1967 and was Managing Partner of the Hartford office at the time of the merger of Coopers & Lybrand and Price Waterhouse in 1998. He was a member of the Firm Council and was a trustee of the PwC Foundation. He also served as a regional technical consultant and SEC reviewer and was assigned to the firm's national office for two years. Olin's board of directors has determined that Mr. Schulz qualifies as an audit committee financial expert for Olin under applicable SEC rules. Mr. Schulz earned a bachelor's degree in accounting from Niagara University and also completed the Tuck Executive Program at Dartmouth College. He is a director and Audit Committee Chair of The Connecticut Bank & Trust Company (a state banking institution). Mr. Schulz is also Chairman of the Board of Trustees of St. Joseph College; a director of St. Francis Hospital; and is on the Board of Trustees of The McLean Fund. Olin director since 2003; Chair of the Audit Committee and a member of the Directors and Corporate Governance Committee and the Executive Committee.

In accordance with Olin's Principles of Corporate Governance which provides that non-employee directors retire from the Board at the annual meeting following their 70<sup>th</sup> birthday, Mr. Donald W. Griffin, the remaining Class I director, will retire from the board upon the expiration of his current term on April 25, 2007. The board intends to amend Olin's Bylaws to reduce the number of directors from ten to nine prior to the annual meeting and therefore no replacement nominee has been named. The terms of the other directors will continue after the annual meeting as indicated below. The board expects that all of the nominees will be able to serve as directors. If any nominee is unable to accept election, a proxy voting in favor of such nominee will be voted for the election of a substitute nominee selected by the board, unless the board reduces the number of directors.

## CORPORATE GOVERNANCE MATTERS

### ***How many meetings did Board members attend?***

During 2006, the board held eight meetings. As part of each board meeting, the non-executive directors met in executive session. All directors attended at least 75% of the meetings of the board and committees of the board on which they served. All of our directors attended the 2006 annual shareholders meeting. Our policy regarding directors' attendance at the annual shareholders meeting is that they are required to attend, absent serious extenuating circumstances.

### ***Which Board members are independent?***

Our board has determined that all of its members, except Messrs. Griffin, Ruggiero and Rupp, are independent in accordance with applicable New York Stock Exchange (NYSE) listing standards and applicable provisions of our Principles of Corporate Governance. In determining independence, the board confirms that a director has no relationship with Olin that violates the bright line standards under the NYSE listing standards. The board also reviews whether a director has any other material relationship with Olin, after consideration of all relevant facts and circumstances. In assessing the materiality of a director's relationship to Olin, the board considers the issues from the director's standpoint and from the perspective of the persons or organizations with which the director has an affiliation. The board reviews commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships.

In 2006, we sold an aggregate of approximately \$5.8 million of chlor alkali products to Noveon, Inc. One of our directors, Donald Bogus, serves as the president of Noveon. Our board determined that Mr. Bogus had no material interest in these sales transactions because the transactions were made on our customary terms and conditions, and amounted to less than 0.4% of Noveon's total sales.

In 2006, we purchased less than \$1,000 of product from Maverick Tube Corporation. One of our directors, C. Robert Bunch, served as Chairman, President and Chief Executive Officer of Maverick until October 2006 when Maverick was purchased by another company. Our board determined that such minimal purchase transactions which were made on customary terms and conditions, do not impair Mr. Bunch's independence.

In 2006, we matched charitable contributions made by Messrs. Larrimore and Schulz of \$5,000 each, under our 50% matching contribution program available to all employees. Our board determined that such minimal charitable contributions do not constitute the type of relationship that could impair a director's independence.

### ***Does Olin have corporate governance guidelines and a code of business conduct?***

The board has adopted Principles of Corporate Governance and a Code of Business Conduct. The Code of Business Conduct applies to our directors and all of our employees, including our chief executive officer, chief financial officer, and principal accounting officer/controller. We discuss certain provisions of these documents in more detail below under the heading Review, Approval or Ratification of Transactions with Related Persons.

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Each member of our board of directors has completed a director education course, accredited by Institutional Shareholder Services.

Each of our three major standing board committees (Audit, Compensation and Directors and Corporate Governance) acts under a written charter adopted by the board. All of these documents can be viewed on our website at [www.olin.com](http://www.olin.com) in the Corporate Governance section of the Investor section



or are available from the company by writing to: George H. Pain, Vice President, General Counsel and Secretary, Olin Corporation, 190 Carondelet Plaza, Suite 1530, Clayton, MO 63105. In addition, we will disclose any amendment to, or waiver from, a provision of our Code of Business Conduct for our chief executive officer, chief financial officer, principal accounting officer/controller or other employees performing similar functions on that website.

***What are the committees of the Board?***

Our committees of the board are:

The *Audit Committee*, which held seven meetings during 2006, advises the board on internal and external audit matters affecting us. The audit committee acts under a written Charter adopted by the board in 1997, and reviewed and updated in 2006, which is attached to this proxy statement as Appendix A. In accordance with NYSE listing standards and applicable provisions of our Principles of Corporate Governance, the audit committee is comprised solely of directors who meet the enhanced independence standards for audit committees in the Exchange Act and the rules thereunder as incorporated into the NYSE standard for independence. Its members are: Philip J. Schulz, Chair, Randall W. Larrimore, John M. B. O Connor and Richard M. Rompala. The board has determined that Philip J. Schulz meets the SEC definition of an audit committee financial expert and that each of the members of the audit committee is financially literate, as such term is interpreted by the board in its business judgment. The audit committee:

- has sole authority to directly appoint, retain, compensate, evaluate and terminate our independent registered public accounting firm;
- reviews with our independent registered public accounting firm the scope and results of their examination of our financial statements and any investigations and surveys by such independent registered public accounting firm;
- pre-approves and monitors audit and non-audit services performed by our independent registered public accounting firm;
- reviews its charter annually and publishes the charter in the annual meeting proxy statement in accordance with SEC regulations;
- reviews our annual audited and quarterly unaudited financial statements and management's discussion and analysis of financial condition and operations in our Form 10-K and Form 10-Qs before filing or distribution;
- reviews with management and our independent registered public accounting firm, the interim financial results and related press releases before issuance to the public;
- reviews audit plans, activities and reports of our internal and regulatory audit departments;
- reviews the presentations by management and our independent registered public accounting firm regarding our financial results;
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monitors our litigation process including major litigation and other legal matters that impact our financial statements or compliance with the law;

- monitors compliance with legal and regulatory requirements including environmental, health, safety and transportation compliance;
- monitors the Company's Enterprise Risk Management process and related insurance programs;
- oversees our ethics and business conduct programs and procedures;
- reviews the Company's compliance with Section 404 of the Sarbanes-Oxley Act of 2002; and
- has the authority to hire its own independent advisors.

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The *Compensation Committee*, which held five meetings during 2006, sets policy, develops and monitors strategies for, and administers the programs that are used to compensate the chief executive officer and other senior executives. In accordance with NYSE listing standards and applicable provisions of our Principles of Corporate Governance, the compensation committee is comprised solely of directors who meet the NYSE standard for independence. Its members are: Richard M. Rompala, Chair, Donald W. Bogus, C. Robert Bunch, Virginia A. Kamsky and Randall W. Larrimore. The compensation committee:

- approves the salary plans for all executive officers including their total direct compensation opportunity, comprised of base salary, annual incentive standard and long-term incentive guideline award;
- approves the measures, goals, objectives, weighting, payout matrices, performance certification and actual payouts for the incentive compensation plans;

	125	\$	(2,461)	\$	(2,897)	\$	(20,416)	
Net loss per share:								
Basic loss per share	\$	(0.01)	\$	(0.18)	\$	(0.07)	\$	(0.78)
Diluted loss per share	\$	(0.01)	\$	(0.18)	\$	(0.07)	\$	(0.78)
Net income (loss) per share from continuing operations:								
Basic income (loss) per share	\$	0.01	\$	(0.25)	\$	(0.05)	\$	(0.25)
Diluted income (loss) per share	\$	0.01	\$	(0.25)	\$	(0.05)	\$	(0.25)
Net (loss) income per share from discontinued operations:								
Basic (loss) income per share	\$	(0.02)	\$	0.07	\$	(0.02)	\$	(0.53)
Diluted (loss) income per share	\$	(0.02)	\$	0.07	\$	(0.02)	\$	(0.53)
Weighted average common shares outstanding:								
Basic	32,584		32,629		32,547		32,585	

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Diluted	32,584	32,629	32,547	32,585
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The accompanying notes are an integral part of these unaudited, consolidated financial statements.

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**SEACHANGE INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Unaudited, amounts in thousands)*

	Six Months Ended July 31,	
	2013	2012
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,200)	\$ (25,575)
Net loss from discontinued operations	523	17,190
Adjustments to reconcile net loss to net cash provided by (used in) operating activities from continuing operations:		
Depreciation and amortization of fixed assets	2,303	2,307
Amortization of intangible assets	2,297	2,950
Impairment of long-lived asset		956
Provision for inventory obsolescence		188
Loss (gain) on sale of investment in affiliates	338	(814)
Stock-based compensation expense	1,770	3,032
Change in contingent consideration related to acquisitions	34	1,603
Other	60	44
Changes in operating assets and liabilities:		
Accounts receivable	1,664	1,839
Unbilled receivables	(2,155)	2,898
Inventories	(995)	1,494
Prepaid expenses and other assets	7,924	(4,316)
Accounts payable	(273)	(1,433)
Accrued expenses	(694)	923
Customer deposits	(4,112)	(1,410)
Deferred revenues	(1,140)	(8,824)
Other	(64)	184
Net cash provided by (used in) operating activities from continuing operations	5,280	(6,764)
Net cash (used in) provided by operating activities from discontinued operations	(523)	559
Total cash provided by (used in) operating activities	4,757	(6,205)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,449)	(980)
Purchases of marketable securities	(4,093)	(10,526)
Proceeds from sale and maturity of marketable securities	5,141	9,109
Additional proceeds from sale of equity investments	1,128	814
Acquisition of businesses and payment of contingent consideration, net of cash acquired	(3,206)	(4,530)
Other	21	
Net cash used in investing activities from continuing operations	(2,458)	(6,113)
Net cash provided by investing activities from discontinued operations	4,000	23,811
Total cash provided by investing activities	1,542	17,698
<b>Cash flows from financing activities:</b>		
Repurchases of common stock		(504)
Proceeds from issuance of common stock relating to stock option exercises	499	530

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Net cash provided by financing activities from continuing operations	499	26
Net cash provided by financing activities from discontinued operations		872
<b>Total cash provided by financing activities</b>	<b>499</b>	<b>898</b>
Effect of exchange rate changes on cash	(114)	(406)
<b>Net increase in cash and cash equivalents</b>	<b>6,684</b>	<b>11,985</b>
Cash and cash equivalents, beginning of period	106,721	80,585
<b>Cash and cash equivalents, end of period</b>	<b>\$ 113,405</b>	<b>\$ 92,570</b>
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 472	\$ 1,267
Supplemental disclosure of non-cash activities:		
Transfer of items originally classified as inventories to equipment	\$ 417	\$ 394

The accompanying notes are an integral part of these unaudited, consolidated financial statements

**Table of Contents****SEACHANGE INTERNATIONAL, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****1. Nature of Business and Basis of Presentation****The Company**

SeaChange International, Inc. and its subsidiaries ( SeaChange , we , or the Company ) is a global leader in the development and delivery of multi-screen video. Our products and services facilitate the storage, management and distribution of video, television programming and advertising content to cable system operators, telecommunications companies and mobile operators.

**Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of SeaChange International, Inc. and its subsidiaries ( SeaChange or the Company ) in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ) for interim financial reports and the instructions for the Quarterly Report on Form 10-Q ( Form 10-Q ) and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. GAAP have been condensed or omitted pursuant to such regulations. However, we believe that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our most recently audited financial statements and the notes thereto included in our Annual Report on Form 10-K ( Form 10-K ) as filed with the SEC. In the opinion of management, the accompanying financial statements include all adjustments necessary to present a fair presentation of the consolidated financial statements for the periods shown. Interim results are not necessarily indicative of the operating results for the full fiscal year or any future periods. The balance sheet data as of January 31, 2013 that is included in this Form 10-Q was derived from our audited financial statements but does not include all disclosures required by U.S. GAAP. The preparation of these financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from our estimates. All intercompany transactions and balances have been eliminated. We have reclassified certain fiscal 2013 data to conform to our fiscal 2014 presentation.

Effective February 1, 2013, as a result of a change in how we review our business, certain information technology costs which were formerly allocated out of general and administration expenses, remained in general and administration expenses. Prior fiscal year balances were adjusted to conform to this presentation. The reclassification, reflected in our current statements of operations and comprehensive income (loss) related to the three and six months ended July 31, 2012, is as follows:

	<b>Three Months Ended July 31, 2012</b>	<b>Six Months Ended July 31, 2012</b>
Cost of revenue product	\$ (58)	\$ (112)
Cost of revenue service	(248)	(487)
Research and development expenses	(190)	(372)
Selling and marketing expenses	(41)	(81)
General and administrative expenses	537	1,052
	\$	\$

We also hold minority investments in the capital stock of certain private companies having product offerings or customer relationships that have strategic importance. We evaluate our equity and debt investments and other contractual relationships with affiliate companies in order to determine whether the guidelines regarding the consolidation of variable interest entities ( VIEs ) should be applied in the financial statements. We have concluded that we are not the primary beneficiary for any VIEs as of July 31, 2013.

*Immaterial Prior Period Adjustment*

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During the second quarter of fiscal 2014, we identified an adjustment to the calculation of the derived service period on 875,000 stock options, which included both a market price and service condition, awarded to our CEO in May 2012. The stock options vest in three increments based upon the closing price of SeaChange's common stock. If on May 1, 2015 fewer than 437,500 options have vested pursuant to market price vesting terms, then an additional number of options shall vest such that the total number of vested options under the award shall equal 437,500 and all remaining unvested options shall thereupon expire. We previously recorded the fair value of these stock options using the Monte Carlo simulation model, since the stock option vesting is variable depending on the closing market price of our common stock. The model simulated the daily trading price of the market price-based stock options' expected term to determine if the vesting conditions would be triggered during that term and calculated a derived service period. As a result, the fair value of these stock options was estimated at \$3.3 million with a derived service period of 2.1 years. During the current quarter, we determined that the simulation model used to calculate the derived service period of 2.1 years should have excluded the service condition of 36 months in vesting iterations. As a result of this change, the fair value of the stock option awards of \$3.3 million did not change but the derived service period would have been 7.2 months for the first increment of 291,667 stock options, 9.6 months for the second increment of 291,666 stock options and 10.8 months for the third increment of 291,667 stock options. The impact of this change is an additional \$1.8 million of stock compensation expense for our fiscal year 2013, which we have concluded would not have been material, individually or in aggregate, to our prior reporting periods.



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In evaluating whether this adjustment was material to previously issued consolidated financial statements, we considered the guidance in the SEC's Staff Accounting Bulletin No. (SAB) 99, *Materiality*, and Accounting Standards Codification (ASC) 250, *Accounting Changes and Error Corrections*. We concluded this adjustment was not material individually or in the aggregate to any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. However, the cumulative adjustment would be material during the current quarter if the cumulative adjustment was recorded in the second quarter of fiscal 2014. Accordingly, in accordance with the SAB 108,

*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, adjustments to the applicable prior periods are reflected in the financial information herein and will be reflected in future filings containing such financial information. This non-cash adjustment had no net impact to our consolidated statements of cash flows. Below are the items within these consolidated financial statements that are impacted by the adjustment (amounts in thousands):

**Consolidated Statements of Operations and Comprehensive Income (Loss):**

	Three Months Ended			Six Months Ended		
	July 31, 2012			July 31, 2012		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Stock-based compensation expense	\$ 1,300	\$ 704	\$ 2,004	\$ 2,328	\$ 704	\$ 3,032
Loss from operations	\$ (6,805)	\$ (704)	\$ (7,509)	\$ (7,976)	\$ (704)	\$ (8,680)
Net loss	\$ (5,294)	\$ (704)	\$ (5,998)	\$ (24,871)	\$ (704)	\$ (25,575)
Comprehensive loss	\$ (1,757)	\$ (704)	\$ (2,461)	\$ (19,712)	\$ (704)	\$ (20,416)
Basic and diluted net loss per share	\$ (0.16)	\$ (0.02)	\$ (0.18)	\$ (0.76)	\$ (0.02)	\$ (0.78)

**Consolidated Balance Sheet:**

	January 31, 2013		
	As Previously Reported	Adjustment	As Revised
Additional paid-in capital	\$ 214,531	\$ 1,828	\$ 216,359
Accumulated loss	\$ (10,830)	\$ (1,828)	\$ (12,658)

**2. Significant Accounting Policies****Revenue Recognition**

Our transactions frequently involve the sale of hardware, software, systems and services in multiple-element arrangements. Revenues from sales of hardware, software and systems that do not require significant modification or customization of the underlying software are recognized when:

title and risk of loss has passed to the customer;

there is evidence of an arrangement;

fees are fixed or determinable; and

collection of the related receivable is considered probable.

Customers are billed for installation, training, project management and at least one year of product maintenance and technical support at the time of the product sale. Revenue from these activities is deferred at the time of the product sale and recognized ratably over the period during which

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these services are performed. Revenue from ongoing product maintenance and technical support agreements are recognized ratably over the period of the related agreements. Revenue from software development contracts that include significant modification or customization, including software product enhancements, is recognized based on the percentage of completion contract accounting method using labor efforts expended in relation to estimates of total labor efforts to complete the contract. Accounting for contract amendments and customer change orders is included in contract accounting when executed. Revenue from shipping and handling costs and other out-of-pocket expenses reimbursed by customers is included in revenues and cost of revenues. Our share of intercompany profits associated with sales and services provided to affiliated companies is eliminated in consolidation in proportion to our equity ownership.

We have historically applied the software revenue recognition rules as prescribed by ASC 985-605, *Software: Revenue Recognition*. In October 2009, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update number ( ASU ) 2009-14, *Certain Revenue Arrangements That Include Software Elements*, which amended ASC 985-605. This ASU removes tangible products containing software components and non-software components that function together to deliver the product s essential functionality from the scope of the software revenue recognition rules. In the case of our hardware products with embedded software, we have determined that the hardware and software components function together to deliver the product s essential functionality, and therefore, the revenue from the sale of these products no longer falls within the

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scope of the software revenue recognition rules. Revenue from the sale of software-only products remains within the scope of the software revenue recognition rules. Maintenance and support, training, consulting, and installation services no longer fall within the scope of the software revenue recognition rules, except when they are sold with and relate to a software-only product. Revenue recognition for products that no longer fall under the scope of the software revenue recognition rules is similar to that for other tangible products and ASU 2009-13,

*Multiple-Deliverable Revenue Arrangements*, which amended ASC 985-605 and was also issued in October 2009, which is applicable for multiple-deliverable revenue arrangements. ASU 2009-13 allows companies to allocate revenue in a multiple-deliverable arrangement in a manner that better reflects the transaction's economics.

Under the software revenue recognition rules, revenue is allocated to the various elements based on vendor-specific objective evidence (VSOE) of fair value. Under this method, the total arrangement value is allocated first to undelivered elements, based on their fair values, with the remainder being allocated to the delivered elements. Where fair value of undelivered service elements has not been established, the total arrangement value is recognized over the period during which the services are performed. The amounts allocated to undelivered elements, which may include project management, training, installation, maintenance and technical support, and certain hardware and software components, are based upon the price charged when these elements are sold separately and unaccompanied by the other elements. The amount allocated to installation, training and project management revenue is based upon standard hourly billing rates and the estimated time required to complete the service. These services are not essential to the functionality of systems as these services do not alter the equipment's capabilities, are available from other vendors and the systems are standard products. For multiple-element arrangements that include software development with significant modification or customization and systems sales where VSOE of the fair value does not exist for the undelivered elements of the arrangement (other than maintenance and technical support), percentage of completion accounting is applied for revenue recognition purposes to the entire arrangement with the exception of maintenance and technical support.

Under the revenue recognition rules for tangible products as amended by ASU 2009-13, the fee from a multiple-deliverable arrangement is allocated to each of the deliverables based upon their relative selling prices as determined by a selling-price hierarchy. A deliverable in an arrangement qualifies as a separate unit of accounting if the delivered item has value to the customer on a stand-alone basis. A delivered item that does not qualify as a separate unit of accounting is combined with the other undelivered items in the arrangement and revenue is recognized for those combined deliverables as a single unit of accounting. The selling price used for each deliverable is based upon VSOE if available, third-party evidence (TPE) if VSOE is not available, and best estimate of selling price (BESP) if neither VSOE nor TPE are available. TPE is the price of our or any competitor's largely interchangeable products or services in stand-alone sales to similarly situated customers. BESP is the price at which we would sell the deliverable if it were sold regularly on a stand-alone basis, considering market conditions and entity-specific factors.

The selling prices used in the relative selling price allocation method for certain of our services are based upon VSOE. The selling prices used in the relative selling price allocation method for third-party products from other vendors are based upon TPE. The selling prices used in the relative selling price allocation method for our hardware products; software, subscriptions, and customized services for which VSOE does not exist are based upon BESP. We do not believe TPE exists for these products and services because they are differentiated from competing products and services in terms of functionality and performance and there are no competing products or services that are largely interchangeable. Management establishes BESP with consideration for market conditions, such as the impact of competition and geographic considerations, and entity-specific factors, such as the cost of the product, discounts provided and profit objectives. We believe that BESP is reflective of reasonable pricing of that deliverable as if priced on a stand-alone basis.

There have been no material changes to our significant accounting policies, as compared to the significant accounting policies described in our Form 10-K for the fiscal year ended January 31, 2013, other than the adoption of the accounting standard updates listed in Note 14., *Recent Accounting Standard Updates*.

### **3. Fair Value Measurements**

#### *Definition and Hierarchy*

The applicable accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a framework for measuring fair value and expands required disclosure about the fair value measurements of assets and liabilities. This guidance requires us to classify and disclose assets and liabilities measured at fair value on a recurring basis, as well as fair value measurements of assets and liabilities measured on a non-recurring basis in periods subsequent to initial measurement, in a fair value hierarchy.

The fair value hierarchy is broken down into three levels based on the reliability of inputs and requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required, as well as the assets and liabilities that we

value using those levels of inputs:

Level 1 Observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Assets utilizing Level 1 inputs include money market funds and U.S. government securities.

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Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not very active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. We did not have any Level 2 assets or liabilities at July 31, 2013 or January 31, 2013.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The fair value measurements of the contingent consideration obligations related to our business acquisitions are valued using Level 3 inputs.

*Valuation Techniques*

We measure certain financial assets and liabilities at fair value based on valuation techniques using the best information available, which may include quoted market prices, market comparables and discounted cash flow projections. Financial instruments include money market funds, corporate debt investments, asset-backed securities, government-sponsored enterprises and state municipal obligations.

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly. In periods of market inactivity, the observability of prices and inputs may be reduced for certain instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3. There were no reclassifications from Level 1 to Level 2 at July 31, 2013 and January 31, 2013.

*Marketable Securities*

We determine the appropriate classification of debt investment securities at the time of purchase and re-evaluate such designation as of each balance sheet date. Our investment portfolio consists primarily of money market funds as of July 31, 2013 and January 31, 2013, but can consist of corporate debt investments, asset-backed securities and government-sponsored enterprises. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. All cash equivalents are carried at cost, which approximates fair value. Our marketable securities are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of tax, reported in stockholders' equity as a component of accumulated other comprehensive loss. The amortization of premiums and accretion of discounts to maturity are computed under the effective interest method and are included in other expenses, net in our consolidated statements of operations and comprehensive income (loss). Interest on securities is recorded as earned and is also included in other expenses, net. Any realized gains or losses would be shown in the accompanying consolidated statements of operations and comprehensive income (loss) in other expenses, net. We provide fair value measurement disclosures of available-for-sale securities in accordance with one of three levels of fair value measurement mentioned above.

Our financial assets and liabilities that are measured at fair value on a recurring basis as of July 31, 2013 and January 31, 2013 are as follows:

Fair Value at July 31, 2013 Using			
Quoted			
Prices			
in			
Active			
Markets for			
July	Identical Assets	Significant	
31,	(Level	Other	
2013	1)	Inputs	
		(Level 2)	Significant